

Daily Flash

Asia

A "risk-off" environment prevailed across Asia today on renewed concerns of financial instability in Europe from the fallout of developments in Cyprus where a tax on bank deposits is being contemplated to fund the EU rescue package. Asian markets plunged from the start, led by declines in Japan's Nikkei (-2.7%), the Hang Seng (-2.0%) and Australia (-2.0%). On tap for tomorrow is the Reserve Bank of India's policy meeting, where we expect a 25bps cuts in the repo rate in view of weakening growth momentum and stabilizing core inflation.

China's new leadership team signals policy continuity and reform

At the conclusion yesterday of the annual National People's Congress (NPC), Li Keqiang held his first press conference as China's new Premier. His remarks have been widely interpreted as continuity with the previous regime's economic priorities, including with respect to addressing widening income gaps and economic rebalancing, as well as efforts to reduce corruption, alleviate pollution, and enhance the rule of law (which should improve business certainty and help promote private sector investment.) A new cabinet lineup was also announced. The highlights include Zhou Xiaochun to retain his post as central bank Governor, Lou Jiwei (former Head of the sovereign wealth fund, CIC) to become Finance Minister. The appointments are investor friendly, in that the former is highly respected for his handling of monetary policy and promotion of financial sector reforms, while the latter is known to be reform-minded as well. In addition, Xiao Gang (Chairman of Bank of China) is to replace Guo Shuqing as the Chairman of the Securities Regulatory Commission, which oversees the capital market. The policy direction that will take shape under Xiao's leadership remains to be seen, although there is speculation that he may step up efforts to clamp down on shadow bank lending.

China's property prices gain momentum in February

Housing price increases accelerated in February according to the National Bureau of Statistics' (NBS), rising by 2.4% y/y from 1.3% in January, the fastest monthly pace since September 2011 (on a sequential basis, the non-seasonally adjusted increase amounted to 1.4% m/m according to our estimates). Home prices rose in 66 of the 70 cities surveyed by the NBS, led by the Tier 1 cities of Guangzhou, Beijing, and Shenzhen where prices were up by around 5-7% y/y according to our estimates. Home prices have now risen for nine consecutive months, posing a challenge to efforts to cool the market and adding to concerns of early policy tightening. The most recent round of cooling efforts was announced on March 1, mostly consisting of a step-up of pre-existing measures.

Singapore's exports fall sharply, underscoring weak external demand

Non-oil domestic exports (NODX) fell by -30.6% y/y (consensus: -16.0%) after a small increase in January. The decline was attributable to weak demand from Europe (-52.2% y/y) and the U.S. (-52.1%). While Singapore's monthly data are notoriously volatile (and may be distorted by the shift in this year's Chinese New Year timing), the disappointing outturn is a reminder of the weak external environment, as seen recently in weak export figures from Taiwan and Korea, in contrast to a surge in January/February exports from China. The focus is now turning to the Monetary Authority of Singapore's next policy meeting in mid-April, following recent weak retail sales and PMI data, which could lead to monetary easing.

Briefly Noted:

Hong Kong's latest unemployment rate remained unchanged at 3.4%. The data was in line with consensus, and is the 3-month average seasonally adjusted rate for the December-February period.

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Calendar Indicators

China	Date	Period	Prior	Cons.	Actual
HSBC Flash Manufacturing PMI	21 Mar	Mar	50.4	50.9	--
Hong Kong	Date	Period	Prior	Cons.	Actual
Unemployment Rate SA	18 Mar	Feb	3.40%	3.40%	3.40%
Composite Interest Rate	19 MAR	Feb	0.28%	--	--
CPI - Composite Index (YoY)	21 Mar	Feb	3.00%	4.00%	--
Japan	Date	Period	Prior	Cons.	Actual
Merchnds Trade Exports YoY	21 Mar	Feb	6.40%	-1.20%	--
Malaysia	Date	Period	Prior	Cons.	Actual
CPI YoY	20 Mar	Feb	1.30%	1.50%	--
Singapore	Date	Period	Prior	Cons.	Actual
Non-oil Domestic Exports (YoY)	18 Mar	Feb	0.40%	-16.00%	-30.60%
Taiwan	Date	Period	Prior	Cons.	Actual
Export Orders (YoY)	20 Mar	Feb	18.00%	--	--
Unemployment Rate - sa	22 Mar	Feb	4.20%	--	--

Calendar Events

India - REPO Cutoff Yield, Mar 19 We expect a 25 bps cut in the benchmark rate	Current 7.75%	Cons. 7.50%	New --
India - Cash Reserve Ratio, Mar 19 We expect a 25 bps cut in the benchmark rate	Current 4.00%	Cons. 4.00%	New --

Indicator of the Week

Taiwan: February Export Orders (March 20th)

Forecast: -3.40% y/y

Consensus: N/A

Prior: 18.0% y/y

Taiwan's export orders are closely watched as a leading indicator of regional export trends given the economy's position in the global supply chain. Recent exports outturns in Asia have been mixed, with China's exports for the first two month of the year surprising to the upside, against disappointing readings from Korea and Taiwan. Against t this backdrop, the export orders data will be watched to gauge the strength of external demand, which appears to be improving. Export orders have risen on a year-over-year basis for five consecutive months; however, we expect a small decline in February due to the Chinese New Year timing distortion, which resulted in fewer working days in February. If our forecast proves correct, it would still bring the combined outturn for January/February to around 7% y/y compared to 3.1% y/y in the H2 2012, underscoring a modest recovery of external demand in 2013.

Markets Data

STOCK MARKETS	INDEX	Last price	% change over a day	% change over a week	Year to date	% change over 1 Y
	China - Shanghai Comp.	2240.0	-1.7	-3.1	-1.3	-6.8
Hong Kong - Hang Seng	22083.4	-2.0	-4.4	-2.5	3.6	
Taiwan - Weighted	7811.3	-1.5	-2.8	1.5	-3.0	
Japan - Nikkei 225	12220.6	-2.7	-1.0	17.6	20.6	
Korea - Kospi	1968.2	-0.9	-1.8	-1.4	-3.3	
India - Sensex 30	19340.8	-0.4	-1.6	-0.4	10.7	
Australia - SPX/ASX 200	5015.4	-2.0	-2.6	7.9	17.3	
Singapore - Strait Times	3260.1	-0.8	-1.0	2.9	8.3	
Indonesia - Jakarta Comp	4802.8	-0.3	-1.5	11.3	19.2	
Thailand - SET	1591.4	-0.4	0.9	14.3	33.8	
Malaysia - KLCI	1621.4	-0.4	-2.2	-4.0	3.2	
Philippines - Manila Comp.	6536.2	-1.8	-4.1	12.4	27.0	

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FOREIGN EXCHANGE MARKETS	CURRENCY	Spot	% change over a day	% change over a week	Forward 3-month	Forward 12-month
	China (CNY/USD)	6.21	0.04	0.07	6.28	6.31
Hong Kong (HKD/USD)	7.76	0.03	-0.05	7.76	7.75	
Taiwan (TWD/USD)	29.7	-0.11	-0.18	29.68	29.38	
Japan (JPY/USD)	95.00	0.29	1.35	94.94	94.62	
Korea (KRW/USD)	1115	-0.34	-1.77	1119	1132	
India (INR/USD)	54.2	-0.24	0.47	55.14	57.62	
Australia (USD/AUD)	1.04	-0.33	0.91	0.97	0.99	
Singapore (SGD/USD)	1.25	-0.25	-0.17	1.25	1.25	
Indonesia (IDR/USD)	9715	-0.09	-0.15	9812	10202	
Thailand (THB/USD)	29.5	0.07	0.64	29.66	30.01	
Malaysia (MYR/USD)	3.13	-0.20	-0.63	3.15	3.19	
Philippines (PHP/USD)	40.7	-0.11	0.01	40.59	40.53	

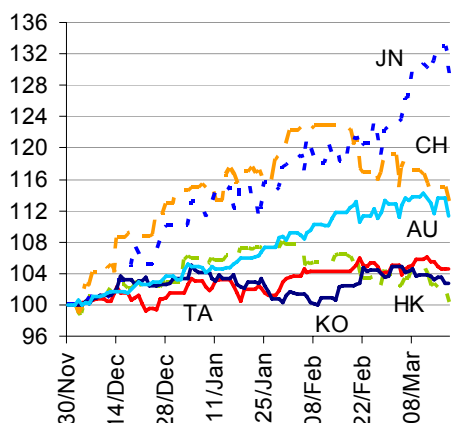
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INTERBANK RATES	INDEX	Rate	net change over a day	net change over a week	net change over a month
	China (SHIBOR/7D)	3.10	-0.30	0.06	0.16
Hong Kong (HIBOR/1W)	0.10	0.00	0.00	0.00	
Taiwan (TAIBOR/1W)	0.55	0.00	0.00	-0.01	
Japan (TIBOR/1Y)	0.76	0.00	0.01	0.01	
Korea (KORIBOR/1M)	2.76	0.00	0.00	-0.01	
India (MIBOR/7D)	3.09	-0.28	-0.11	0.17	
Singapore (SIBOR/1W)	0.25	0.00	0.00	0.00	
Indonesia (JIBOR/1W)	4.28	0.00	0.00	0.00	
Thailand (BIBOR/1W)	2.77	0.00	0.00	0.00	
Malaysia (KLIBOR/1W)	2.90	0.00	0.00	0.00	
Philippines (PHIBOR/1W)	0.88	0.31	-0.19	-0.06	

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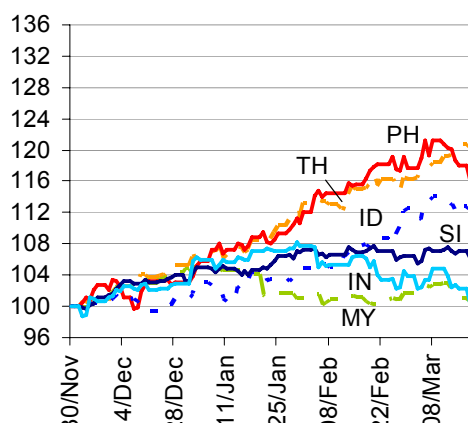
Charts

Chart 1
Stock Markets



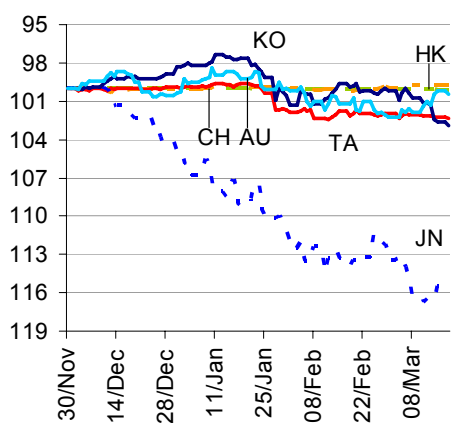
Source: BBVA Research and Bloomberg

Chart 2
Stock Markets



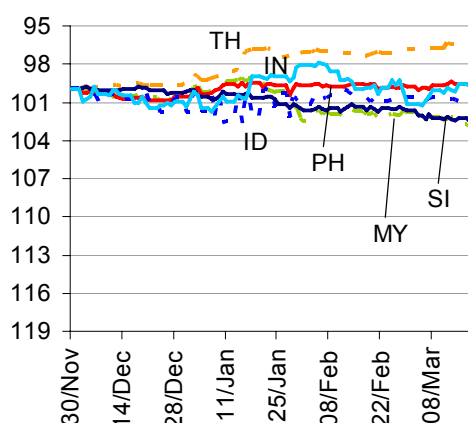
Source: BBVA Research and Bloomberg

Chart 3
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Chart 4
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

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