

Daily Flash

Asia

Spillovers from negative sentiment in the EU post-Cyprus continued to weigh on Asian regional sentiment, made worse by media reports of tightening measures in on nonbank financing in China (see below). The Shanghai Composite fell by -2.8%, followed by Japan's Nikkei (-1.3%), and the Hang Seng (-0.7%). Looking ahead, much of the region will be closed through April 1 for the holiday. The next set of indicators will be for Japan tomorrow (PMI, inflation, IP and employment), China PMI on April 1 (see Weekly Indicator below), and inflation in Korea, Thailand and Indonesia (April 1). The focus in the coming week will be on the Bank of Japan's monetary meeting on April 3-4, the first under newly appointed Governor Haruhiko Kuroda, with markets heavily positioned for further easing measures.

China seeks to curb proliferation of wealth management products

Media outlets began reporting late yesterday that the China Banking Regulatory Commission (CBRC) has introduced new measures to rein in banks' issuance of wealth management products (WMPs), which have fuel the growth of lending in the nonbank financial sector. In particular, the CBRC is reported to have imposed limits on WMPs used to fund trust loans, bank acceptances, and entrust loans. For WMPs beyond the established limits (4% of total assets and 35% of total WMPs), banks are instructed to move them back onto their balance sheets by end-2013. If implemented as reported, these measures would severely inhibit the expansion of banks' off-balance-sheets activities, especially mid-size banks. As such, they would help alleviate the build-up of risks in the shadow bank market, which have increased recently. However, the equity market fell sharply on the news due to the adverse effect the measures would have on financial sector profits.

Korea's government lowers 2013 growth forecast, announces stimulus

The Ministry of Strategy and Finance has lowered its growth forecast for 2013 to 2.3%, from 3.0% previously. As a result of weak growth, the new government of President Park Guen-hye has announced a stimulus package. Estimates of the size of the package are around 1% of GDP, with expectations it will focus on job growth and stimulating the property market. We expect the Bank of Korea to assist in the effort with a rate cut at its next policy meeting on April 11.

Briefly noted:

Thailand's February exports fell for the first time since August, by -5.8% y/y (consensus: 0.4%) on weak shipments of agricultural products. Imports rose by 5.3% y/y, resulting in a trade deficit of \$1.6 bn. Despite the disappointing outturn, Thailand's growth outlook is bright. Capital inflows have resulted in appreciation of the Thai baht has rallied 4% against the USD so far in 2013, placing it as Asia's top performing currency. The equity market is up by 11.2% for 2013.

Japan retail trade falls, Governor Kuroda warns about high public debt

Retail trade in Japan fell by more than expected -2.3% y/y (consensus: -1.8%; prior: -1.1%), underlining the challenge the new government and central bank face to stimulate domestic demand.

Fitch affirms Australia's AAA rating, with stable outlook, citing the economy's capacity to absorb shocks given a combination of low public debt, a free floating exchange rate and liberal trade and labor market, which allows the authorities to run countercyclical policies during downturns.

Taiwan's central bank keeps its benchmark rate unchanged at 1.875% for a 7th consecutive policy meeting, as expected, in view of a contained inflation and a recovering global economy.

Stephen Schwartz
Chief Economist for Asia
stephen.schwartz@bbva.com.hk
+852 2582 3218

Jeffrey Cantwell, CFA
Economist
jeffrey.cantwell@bbva.com.hk
+852 2582 3173

Weiwei Liu
Economist
carrie.liu@bbva.com.hk
+852 2582 3243

With contributions from the BBVA Research Asia Team

Calendar Indicators

| Hong Kong | Date | Period | Prior | Cons. | Actual |
|---------------------------------|--------|--------|-----------|-----------|---------|
| Exports YoY% | 26 Mar | Feb | 17.60% | 4.40% | -16.90% |
| India | Date | Period | Prior | Cons. | Actual |
| Current Account Balance | 28 Mar | 4Q | -\$22.31B | -\$30.70B | -- |
| Japan | Date | Period | Prior | Cons. | Actual |
| Retail Trade YoY | 28 Mar | Feb | -1.10% | -1.80% | -2.30% |
| Markit/JMMA Manufacturing PMI | 29 Mar | Mar | 48.5 | -- | -- |
| Jobless Rate | 29 Mar | Feb | 4.20% | 4.20% | -- |
| Natl CPI YoY | 29 Mar | Feb | -0.30% | -0.70% | -- |
| Tokyo CPI YoY | 29 Mar | Mar | -0.90% | -0.90% | -- |
| Industrial Production YOY% | 29 Mar | Feb P | -5.80% | -8.50% | -- |
| Singapore | Date | Period | Prior | Cons. | Actual |
| CPI (YoY) | 25 Mar | Feb | 3.60% | 4.10% | 4.90% |
| Industrial Production YoY | 26 Mar | Feb | -0.10% | -7.90% | -16.60% |
| South Korea | Date | Period | Prior | Cons. | Actual |
| GDP (YoY) | 26 Mar | 4Q F | 1.50% | -- | 1.50% |
| Industrial Production (YoY) | 29 Mar | Feb | 7.30% | -5.30% | -- |
| Taiwan | Date | Period | Prior | Cons. | Actual |
| Industrial Production (YoY) | 25 Mar | Feb | 19.05% | -9.30% | -11.45% |
| Commercial Sales | 25 Mar | Feb | 7.80% | -2.33% | -6.00% |
| Thailand | Date | Period | Prior | Cons. | Actual |
| Customs Exports (YoY) | 28 Mar | Feb | 16.09% | 0.35% | -5.83% |
| Vietnam | Date | Period | Prior | Cons. | Actual |
| Exports YTD (YoY) | 26 Mar | Mar | 23.90% | -- | 19.70% |
| Retail Sales YTD (YoY) | 27 Mar | Mar | 10.90% | -- | 11.70% |
| Industrial Production Index YoY | 27 Mar | Mar | -10.10% | -- | 5.60% |
| GDP Constant Prices YTD (YoY) | 27 Mar | 1Q | 5.00% | 5.20% | 4.90% |

Calendar Events

Taiwan - Benchmark Interest Rate, Mar 28

We expect the benchmark rate to remain unchanged

Current

1.875%

Cons.

1.875%

New

1.875%

Indicator of the Week

China: PMI for March (April 1st)

Forecast: 51.2

Consensus: 51.3

Prior: 50.1

We expect the official PMI to rise in March, after a disappointing outturn in February and a set of mixed activity indicators. The March HSBC flash PMI estimate released last week showed an impressive rise to 51.7 from 50.4 in February, which bodes well for the near-term outlook. New orders and production are expected to lead the improvement in March. Caution is in order, however, due to lingering distortions from the timing of the Chinese New Year in February. The next batch of monthly activity indicators (industrial production, investment and retail sales etc.) will be released on Apr 15th, together with the first quarter GDP at the regular press conference of the NBS. In the meantime, we maintain our 8% growth projection for 2013.

Upcoming Calendar Indicators

| Australia | Date | Period | Prior | Cons. | Actual |
|--------------------------------|-------------|---------------|--------------|--------------|---------------|
| AiG Performance of Mfg Index | 02 Apr | Mar | 45.6 | -- | -- |
| Retail Sales s.a. (MoM) | 04 Apr | Feb | 0.90% | 0.30% | -- |
| China | Date | Period | Prior | Cons. | Actual |
| Manufacturing PMI | 01 Apr | Mar | 50.1 | 51.5 | -- |
| Non-manufacturing PMI | 03 Apr | Mar | 54.5 | -- | -- |
| Hong Kong | Date | Period | Prior | Cons. | Actual |
| Retail Sales - Value (YoY) | 02 Apr | Feb | 10.50% | 17.70% | -- |
| Purchasing Managers Index | 03 Apr | Mar | 51.2 | -- | -- |
| Indonesia | Date | Period | Prior | Cons. | Actual |
| HSBC-Markit Manufacturing PMI | 01 Apr | Mar | 50.5 | -- | -- |
| Inflation (YoY) | 01 Apr | Mar | 5.31% | 5.56% | -- |
| Exports (YoY) | 01 Apr | Feb | -1.20% | -- | -- |
| India | Date | Period | Prior | Cons. | Actual |
| HSBC-Markit Manufacturing PMI | 01 Apr | Mar | 54.2 | -- | -- |
| HSBC-Markit Services PMI | 03 Apr | Mar | 54.2 | -- | -- |
| Japan | Date | Period | Prior | Cons. | Actual |
| Tankan Lge Manufacturers Index | 01 Apr | 1Q | -12 | -7 | -- |
| Tankan Non-Manufacturing | 01 Apr | 1Q | 4 | 8 | -- |
| Malaysia | Date | Period | Prior | Cons. | Actual |
| Exports YoY% | 05 Apr | Feb | 3.00% | -4.00% | -- |
| Philippines | Date | Period | Prior | Cons. | Actual |
| Consumer Price Index (YoY) | 05 Apr | Mar | 3.40% | 3.40% | -- |
| Singapore | Date | Period | Prior | Cons. | Actual |
| Purchasing Managers Index | 03 Apr | Mar | 49.4 | 50.0 | -- |
| GDP (YoY) | 05-13 APR | 1Q A | 1.50% | 2.10% | -- |
| South Korea | Date | Period | Prior | Cons. | Actual |
| Consumer Price Index (YoY) | 01 Apr | Mar | 1.40% | 1.80% | -- |
| Ext Trade - Export (YoY) | 01 Apr | Mar | -8.60% | 1.80% | -- |
| HSBC Manufacturing PMI | 01 Apr | Mar | 50.9 | -- | -- |
| South Korea FDI (YoY) | 01-05 APR | 1Q | -16.90% | -- | -- |
| Taiwan | Date | Period | Prior | Cons. | Actual |
| HSBC Manufacturing PMI | 01 Apr | Mar | 50.2 | -- | -- |
| Thailand | Date | Period | Prior | Cons. | Actual |
| Consumer Price Index (YoY) | 01 Apr | Mar | 3.23% | 3.00% | -- |
| Vietnam | Date | Period | Prior | Cons. | Actual |
| HSBC Manufacturing PMI | 01 Apr | Mar | 48.3 | -- | -- |

Upcoming Calendar Events

Australia - RBA Cash Target, Apr 02

We expect the benchmark rate to remain unchanged

| | | |
|----------------|--------------|------------|
| Current | Cons. | New |
| 3.00% | 3.00% | -- |

Japan - BoJ Target Rate, Apr 04

We expect the benchmark rate to remain unchanged

| | | |
|----------------|--------------|------------|
| Current | Cons. | New |
| 0.10% | 0.10% | -- |

Thailand - Benchmark Interest Rate, Apr 03

We expect the benchmark rate to remain unchanged

| | | |
|----------------|--------------|------------|
| Current | Cons. | New |
| 2.75% | 2.75% | -- |

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. | 2236.3 | -2.8 | -3.8 | -1.4 | -2.1 |
| Hong Kong - Hang Seng | 22299.6 | -0.7 | 0.3 | -1.6 | 6.8 | |
| Taiwan - Weighted | 7866.9 | -0.3 | 0.7 | 2.2 | -2.1 | |
| Japan - Nikkei 225 | 12336.0 | -1.3 | -2.4 | 18.7 | 21.1 | |
| Korea - Kospi | 1993.5 | 0.0 | 0.8 | -0.2 | -1.9 | |
| India - Sensex 30 | 18673.4 | -0.2 | -1.1 | -3.9 | 8.2 | |
| Australia - SPX/ASX 200 | 4966.5 | -0.6 | 0.1 | 6.8 | 14.3 | |
| Singapore - Strait Times | 3313.4 | 0.0 | 1.4 | 4.6 | 9.9 | |
| Indonesia - Jakarta Comp | 4941.0 | 0.3 | 2.9 | 14.5 | 20.8 | |
| Thailand - SET | 1549.5 | -0.7 | 1.3 | 11.3 | 28.7 | |
| Malaysia - KLCI | 1674.0 | 0.4 | 2.7 | -0.9 | 5.7 | |
| Philippines - Manila Comp. | 6847.5 | 2.7 | 6.7 | 17.8 | 35.1 | |

Last update: today, 17:00 Hong Kong time

| FOREIGN EXCHANGE MARKETS | CURRENCY | Spot | % change over a day | % change over a week | Forward 3-month | Forward 12-month |
|--------------------------|-----------------|-------|---------------------|----------------------|-----------------|------------------|
| | China (CNY/USD) | 6.21 | -0.01 | 0.00 | 6.28 | 6.31 |
| Hong Kong (HKD/USD) | 7.76 | 0.01 | -0.01 | 7.76 | 7.75 | |
| Taiwan (TWD/USD) | 29.9 | -0.04 | -0.35 | 29.84 | 29.55 | |
| Japan (JPY/USD) | 94.10 | 0.38 | 0.85 | 94.04 | 93.70 | |
| Korea (KRW/USD) | 1113 | -0.13 | 0.25 | 1118 | 1130 | |
| India (INR/USD) | 54.4 | 0.03 | -0.12 | 55.36 | 57.90 | |
| Australia (USD/AUD) | 1.04 | -0.06 | -0.02 | 0.96 | 0.98 | |
| Singapore (SGD/USD) | 1.24 | 0.06 | 0.63 | 1.24 | 1.24 | |
| Indonesia (IDR/USD) | 9740 | -0.15 | 0.15 | 9853 | 10235 | |
| Thailand (THB/USD) | 29.3 | -0.07 | -0.34 | 29.42 | 29.77 | |
| Malaysia (MYR/USD) | 3.10 | 0.07 | 0.79 | 3.11 | 3.16 | |
| Philippines (PHP/USD) | 40.8 | -0.06 | -0.23 | 40.71 | 40.67 | |

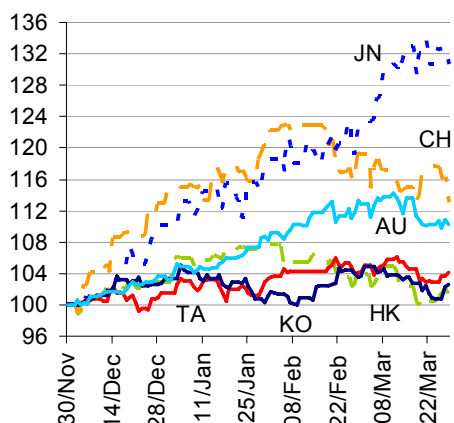
Last update: today, 17:00 Hong Kong time.

| INTERBANK RATES | INDEX | Rate | net change over a day | net change over a week | net change over a month |
|-------------------------|-------------------|-------|-----------------------|------------------------|-------------------------|
| | China (SHIBOR/7D) | 3.20 | 0.20 | 0.20 | -1.10 |
| 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) | 2.75 | 0.00 | 0.00 | -0.01 | |
| India (MIBOR/7D) | 3.26 | 0.11 | 0.20 | -2.84 | |
| Singapore (SIBOR/1W) | 0.25 | 0.00 | 0.00 | 0.00 | |
| Indonesia (JIBOR/1W) | 4.28 | 0.00 | 0.00 | -0.01 | |
| 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) | -3.88 | -3.06 | -4.44 | -5.56 | |

Last update: today, 17:00 Hong Kong time

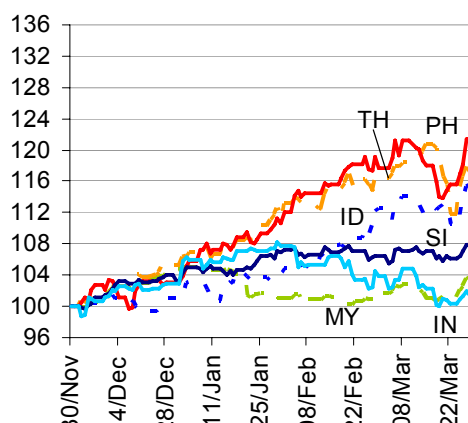
Charts

Chart 1
Stock Markets



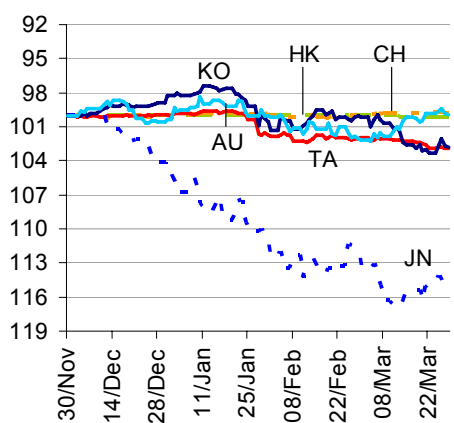
Source: BBVA Research and Bloomberg

Chart 2
Stock Markets



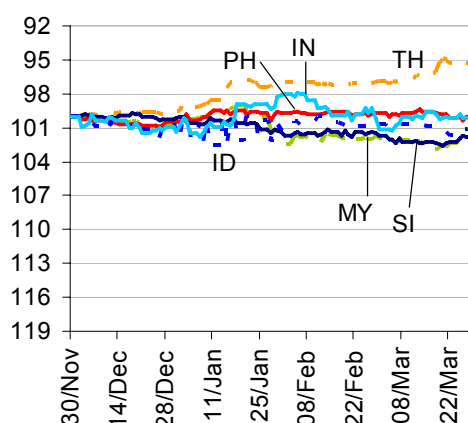
Source: BBVA Research and Bloomberg

Chart 3
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Chart 4
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Stephen Schwartz
Chief Economist for Asia
stephen.schwartz@bbva.com.hk

Fielding Chen
Senior Economist
fielding.chen@bbva.com.hk

Le Xia
Senior Economist (China)
xia.le@bbva.com.hk


Sumedh Deorukhkar
Senior Economist (India, Mumbai)
sumedh.deorukhkar@grupobbva.com

Jeffrey Cantwell, CFA
Economist
jeffrey.cantwell@bbva.com.hk

George Xu
Economist
george.xu@bbva.com.hk

Weiwei Liu
Economist
carrie.liu@bbva.com

Edward Wu
Economist
edward.wu@bbva.com

BBVA | RESEARCH  | 10/F., Two IFC, 8 Finance Street, Central, Hong Kong | Tel.: +852 2582 3111 | www.bbva.com.hk

Before you print this message please consider if it is really necessary.

This email and its attachments are subject to the confidentiality terms established in the corresponding regulations and are intended for the sole use of the person or persons indicated in the header. They are for internal use only and cannot be distributed, copied, conveyed or furnished to third parties without prior written consent from BBVA. If this message has been received erroneously, it is forbidden to read, use or copy any of the contents and you are asked to inform BBVA immediately by forwarding the email to the sender and eliminating it thereafter.

BBVA will continue to provide our readers up-to-date reports by emails, but you can also register directly on our website where you can find a full list of our latest reports & presentations <http://serviciodeestudios.bbva.com/KETD/ketd/ing/index.jsp>

If you wish to be excluded from this mailing list, please write to us on research.emergingmarkets@bbva.com.hk and we shall immediately take you off the list.