

Asia Flash

Asia

China credit aggregates accelerate in March

New loans and "Total Social Financing" (TSF, a broader credit aggregate encompassing bank and non-bank loans), rose by more than expected, to RMB 1.06 trillion (Consensus: 900 billion; February: 620 billion) and RMB 2.54 trillion (Consensus: 1.8 trillion; February: 1.07 billion). M2 growth also rose, to 15.7% (Consensus: 14.5%), well above the government's 13% target for 2013. Meanwhile, foreign reserves increased by USD 128 billion in the Q1 2013 to USD 3.44 trillion (compared to an increase of only USD 26 billion in Q4 2012), most likely driven by stronger capital inflows. Accelerating credit could be interpreted in two ways: as a sign of overheating, with attendant housing bubbles and over-indebtedness, or as a positive sign that recent macro prudential tightening are not having an adverse effect on growth momentum. In view of benign inflation outturns (2.1% y/y in March), we view the data as a positive sign of sustained growth momentum, and we expect lending growth to slow in the coming months as the authorities have recently stepped up their efforts to curb shadow bank lending and local government borrowing.

Australia unemployment jumps, raising expectations of rate cuts

Employment fell by a disappointing -36.1k in March (-7.5k). The labor participation rate also edged lower to 65.1% from previous previously. As a result, the unemployment rose to the highest level since November 2009, to 5.6%, from 5.4% previously. The disappointing March data underscores softness of the domestic economy, and increases the possibility of further RBA rate cuts in the coming months. That said, in light of monthly volatility in the data and stronger-than-expected February employment, we maintain our forecast of no rate cut by the RBA this year, following the 175 bp cumulative cuts in 2011-2012.

Bank of Korea stays pat on interest rates, and lowers 2013 growth outlook

The Bank of Korea left policy rates unchanged today at 2.75%, against consensus expectations of a rate cut (including ourselves had anticipated a 25bps cut. The central bank said it views the monetary stance as already accommodative and in "harmony" with fiscal policy. The BOK lowered its growth forecast for this year to 2.6% from a January estimate of 2.8%. Given weak growth momentum and low inflation (1.3% y/y against an official target of 2.5-3.5%), we continue to expect a rate cut, most likely in May or June.

Bank Indonesia stays on hold, as expected

The central bank today kept policy rates on hold at 5.75%, in line with our and market expectations. The decision reflects satisfaction by the central bank with the current pace of growth momentum, and expectations that the current high level of inflation - 5.9%, driven by rising food prices - will recede in coming months. Bank Indonesia also slightly revised down its 2013 growth forecast to between 6.2-6.6% from the previous range 6.3-6.8%.

Briefly noted:

Japan machine orders climb in March by a faster-than-expected 7.5% sa, m/m (Consensus: 6.9%; Prior: -13.1%) on improved business confidence for capital spending.

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Calendar Indicators

Australia	Date	Period	Prior	Cons.	Actual
Unemployment Rate	11 Apr	Mar	5.40%	5.40%	5.60%
China	Date	Period	Prior	Cons.	Actual
Consumer Price Index (YoY)	09 Apr	Mar	3.20%	2.50%	2.10%
Exports YoY%	10 Apr	Mar	21.80%	11.70%	10.00%
Imports YoY%	10 Apr	Mar	-15.20%	6.00%	14.10%
New Yuan Loans	11 Apr	Mar	620.0B	890.0B	1060.0B
Money Supply - M2 (YoY)	11 Apr	Mar	15.20%	14.60%	15.70%
Aggregate Financing	11 Apr	Mar	1070.0B	1800.0B	2540.0B
India	Date	Period	Prior	Cons.	Actual
Exports YoY%	12-15 APR	Mar	4.20%	--	--
Industrial Production YoY	12 Apr	Feb	2.40%	-1.20%	--
Japan	Date	Period	Prior	Cons.	Actual
Machine Orders (MoM)	11 Apr	Feb	-13.10%	6.90%	7.50%
Current Account Total	08 Apr	Feb	¥364.8B	¥457.5B	¥637.4B
Tertiary Industry Index (MoM)	12 Apr	Feb	-1.10%	0.70%	--
Malaysia	Date	Period	Prior	Cons.	Actual
Industrial Production YoY	11 Apr	Feb	4.60%	-2.50%	-4.50%
Philippines	Date	Period	Prior	Cons.	Actual
Total Exports (YoY)	10 Apr	Feb	-2.70%	-4.80%	-15.60%
Singapore	Date	Period	Prior	Cons.	Actual
GDP (YoY)	12 Apr	1Q A	1.50%	0.00%	--
South Korea	Date	Period	Prior	Cons.	Actual
FDI (YoY)	11 Apr	1Q	-16.50%	--	44.70%
Unemployment Rate (SA)	10 Apr	Mar	3.50%	3.30%	3.20%
Taiwan	Date	Period	Prior	Cons.	Actual
CPI YoY%	08 Apr	Mar	2.96%	1.82%	1.39%
Total Exports (YoY)	08 Apr	Mar	-15.80%	2.20%	3.30%

Calendar Events

Indonesia - Reference Rate, Apr 11

We expect the benchmark rate to remain unchanged

Current	Cons.	New
5.75%	5.75%	5.75%

Korea - 7-day Repo Rate, Apr 11

We expect the benchmark rate to be cut by 25bps

Current	Cons.	New
2.75%	2.50%	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.	2219.6	-0.3	-0.4	-2.2	-3.9
Hong Kong - Hang Seng	22101.3	0.3	-1.1	-2.5	9.7	
Taiwan - Weighted	7858.0	1.4	-0.7	2.1	2.6	
Japan - Nikkei 225	13549.2	2.0	7.2	30.3	43.2	
Korea - Kospi	1949.8	0.7	-1.8	-2.4	-2.2	
India - Sensex 30	18548.2	0.7	0.2	-4.5	7.8	
Australia - SPX/ASX 200	5007.1	0.8	1.9	7.7	17.9	
Singapore - Strait Times	3308.8	0.5	0.0	4.5	12.3	
Indonesia - Jakarta Comp	4924.3	1.0	0.0	14.1	19.2	
Thailand - SET	1512.3	1.5	-0.5	8.7	31.0	
Malaysia - KLCI	1707.0	0.6	1.1	1.1	6.9	
Philippines - Manila Comp.	6831.7	0.2	0.2	17.5	36.2	

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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)	6.20	-0.04	0.16	6.25	6.26
Hong Kong (HKD/USD)	7.76	0.00	0.01	7.76	7.75	
Taiwan (TWD/USD)	29.9	0.08	0.02	29.87	29.68	
Japan (JPY/USD)	99.56	0.22	-3.23	99.50	99.18	
Korea (KRW/USD)	1129	0.60	-0.49	1131	1142	
India (INR/USD)	54.5	0.11	-0.16	55.43	58.02	
Australia (USD/AUD)	1.06	0.22	1.24	0.95	0.97	
Singapore (SGD/USD)	1.24	0.07	0.25	1.24	1.24	
Indonesia (IDR/USD)	9706	-0.14	0.44	9792	10164	
Thailand (THB/USD)	29.0	0.00	0.96	29.17	29.53	
Malaysia (MYR/USD)	3.03	-0.12	1.52	3.05	3.09	
Philippines (PHP/USD)	41.0	0.07	0.65	40.92	40.84	

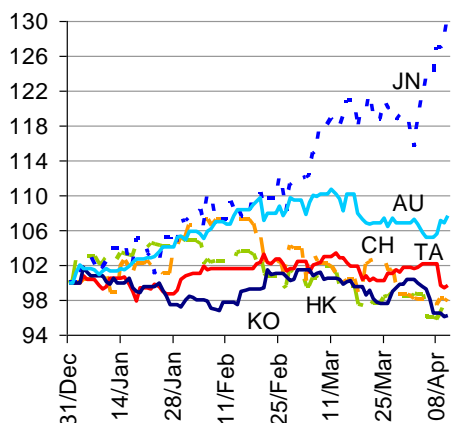
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INTERBANK RATES	INDEX	Rate	net change over a day	net change over a week	net change over a month
	China (SHIBOR/7D)	3.04	-0.18	-0.26	0.04
Hong Kong (HIBOR/1W)	0.10	0.00	0.00	0.00	
Taiwan (TAIBOR/1W)	0.55	0.00	0.00	0.00	
Japan (TIBOR/1Y)	0.76	0.00	0.01	0.01	
Korea (KORIBOR/1M)	2.73	0.00	-0.01	-0.03	
India (MIBOR/7D)	3.10	-0.11	-0.22	-0.10	
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)	1.25	-0.13	0.31	0.19	

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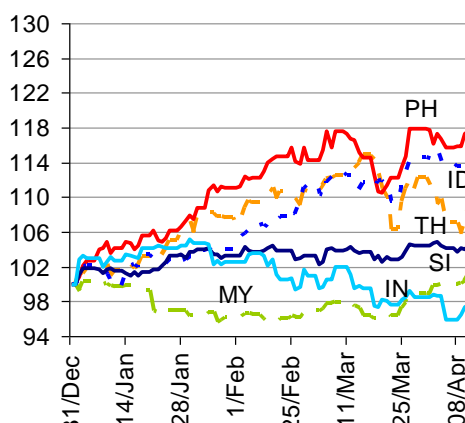
Charts

Chart 1
Stock Markets



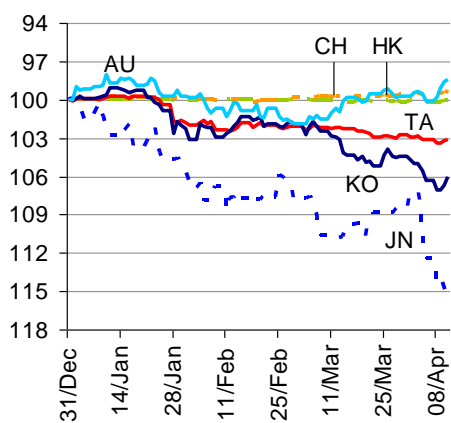
Source: BBVA Research and Bloomberg

Chart 2
Stock Markets



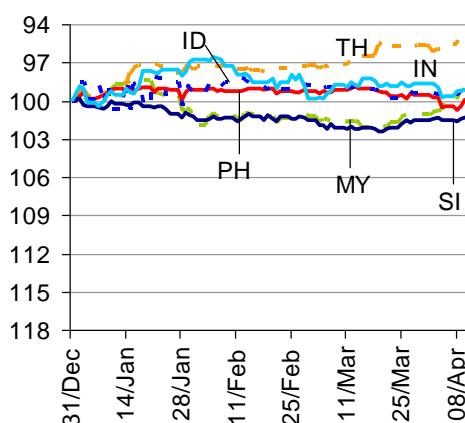
Source: BBVA Research and Bloomberg

Chart 3
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Chart 4
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

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