

# Daily Flash

## Asia

*Markets are continuing to assess the outlook for RMB appreciation following the unexpected widening of China's February trade deficit, and a press conference yesterday by the PBOC Governor. Reflecting difference in interpretation, the Wall Street Journal's headline read, "Beijing Hints Rise in Yuan Isn't Over," while the equivalent in the Financial Times said, "China Hints at Halt to Renminbi Rise." Our view remains unchanged – namely, we expect the currency to remain relatively stable against the USD in the coming months, with a resumption in gradual appreciation during the second half of the year, for about 3% in total for the year (compared to about 5% last year) as the external environment improves (the RMB is now at 6.33/USD). In other news today, Japan's central bank left policy unchanged as expected, while India continues to be in the spotlight this week with tomorrow's release of February inflation data (see Weekly Indicator below). This outturn will be closely watched ahead of Thursday's monetary policy meeting.*

### Japan holds monetary policy steady, gets approval to buy Chinese bonds

Today the Bank of Japan refrained from further monetary easing in its monthly policy meeting, holding its policy rate unchanged at 0-0.1% and keeping the asset buying and loan scheme at 65 trillion yen. Also in today's meeting, the BoJ encouraged banks to fund prospective growth industries by expanding its existing 3.3 trillion yen loan scheme by 2 trillion to 5.5 trillion yen, and also extended the deadline for loan applications by an additional year. On a separate front, Japan formally announced China's approval to buy as much as 65 billion yuan (\$10.3 billion) of Chinese government debt, bringing closer the economic ties between Asia's two largest economies.

### Briefly noted:

- **Philippines: Exports rose by 3.0% y/y led by electronics**, well ahead of the consensus, which forecast an 18.5% decline. The government is attempting to boost growth through its own spending initiatives, but the exports outturn provides an added boost to the economy, where the central bank has already cut interest rates by 50bps (to 4.0%) thus far in 2012.
- **Thailand's government approves a revised plan to increase borrowing** to THB 800 bn (USD 26.1 bn, equivalent to around 7.6% of GDP) from its previous public debt-management plan, which was expected to be THB 350 bn. Half will be used to fund the budget deficit while the rest is for flood-prevention projects and a flood-insurance fund.
- **Indonesia: Reports from the Jakarta Globe are that the central bank may raise banks' required reserve ratios** in order to counter an anticipated rise in inflation. The central bank hinted that it may revise its forecast upwards from 5.3% y/y to 7.0% y/y, due to upcoming increases in fuel and electricity prices.

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

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

William Fitchett  
Economist  
william.fitchett@bbva.com.hk  
+852 2582 3246

## Calendar Indicators

<b>Australia</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
Home Loans MoM	13-Mar	JAN	2.30%	-0.60%	-1.20%
Consumer Inflation Expectation	15-Mar	MAR	2.50%	--	--
<b>China</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
China February Property Prices	18-Mar				
<b>Hong Kong</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
Industrial Production (YoY)	13-Mar	4Q	0.20%	--	-2.20%
<b>India</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
Industrial Production YoY	12-Mar	JAN	1.80%	2.10%	6.80%
Monthly Wholesale Prices YoY%	14-Mar	FEB	6.55%	6.69%	--
<b>Japan</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
Machine Orders (MoM)	12-Mar	JAN	-7.10%	2.30%	3.40%
Machine Orders YOY%	12-Mar	JAN	6.30%	4.40%	5.70%
Tertiary Industry Index (MoM)	13-Mar	JAN	1.40%	0.20%	-1.70%
Industrial Production (MoM)	14-Mar	JAN F	2.00%	--	--
Industrial Production YOY%	14-Mar	JAN F	-1.20%	--	--
<b>Malaysia</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
Industrial Production YoY	12-Mar	JAN	3.00%	0.90%	0.20%
<b>Philippines</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
Total Exports (YoY)	13-Mar	JAN	-20.70%	-18.50%	3.0%
Overseas Remittances (YoY)	15-Mar	JAN	6.20%	--	--
<b>Singapore</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
Unemployment Rate (sa)	15-Mar	4Q F	2.00%	--	--
Retail Sales (YoY)	15-Mar	JAN	4.20%	2.00%	--
Retail Sales (MoM) sa	15-Mar	JAN	-2.40%	-1.90%	--
Non-oil Domestic Exports (YoY)	16-Mar	FEB	-2.10%	15.40%	--
Non-oil Domestic Exp SA (MoM)	16-Mar	FEB	0.90%	1.40%	--
<b>South Korea</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
Unemployment Rate (SA)	14-Mar	FEB	3.20%	3.20%	--
<b>Thailand</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
Total Exports YOY%	14-16 MAR	JAN	-2.10%	--	--
Total Imports YOY%	14-16 MAR	JAN	19.60%	--	--

## Indicator of the Week

### India: WPI Inflation for February (March 14)

Forecast: 6.4% y/y

Consensus: 6.7% y/y

Prior: 6.6% y/y

The coming week will be crucial for investor sentiment in India, with February WPI inflation be watched for cues on the RBI's March 15 monetary policy meeting. This will be followed by the central government budget due on March 16, in which we will be looking for bold measures on fiscal consolidation and growth supportive policy reforms. We expect inflation to continue moderating on strong base effects, softer food prices and, and lower price pressures from slowing growth. A sustained moderation in inflation, especially core, would increase the probability of a 25 bps interest rate cut by the Reserve Bank of India (RBI) in its March 15 policy meeting, which remains our base case. We also expect the RBI to enact a 50bps cut in the cash reserve ratio given the tightness in interbank liquidity. We expect RBI to cut policy rates by 100-150 bps in 2012

## Calendar Events

### Australia - Reserve Bank Board - Bulletin March Quarter 2012, March 15

#### India - India REPO Cutoff Yld, March 15

We expect a 25bps cut in the benchmark repo rate

Current	Consensus	New
8.50%	8.50%	--

#### Japan - BOJ Target Rate, March 13

The BOJ target rate remained unchanged

Current	Consensus	New
0.10%	0.10%	0.10%

## 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.	2455.8	0.9	1.9	11.7	-16.3
	Hong Kong - Hang Seng	21339.7	1.0	2.6	15.8	-8.2
	Taiwan - Weighted	8031.5	1.3	1.2	13.6	-6.3
	Japan - Nikkei 225	9899.1	0.1	2.7	17.1	-3.5
	Korea - Kospi	2025.0	1.1	1.2	10.9	3.6
	India - Sensex 30	17811.1	1.3	2.6	15.2	-2.0
	Australia - SPX/ASX 200	4247.6	1.2	1.0	4.7	-8.6
	Singapore - Strait Times	2989.1	0.9	1.9	13.0	-1.8
	Indonesia - Jakarta Comp	4008.6	0.5	1.0	4.9	13.2
	Thailand - SET	1153.8	0.3	-0.4	12.5	14.6
	Malaysia - KLCI	1564.0	0.0	-1.6	2.2	4.6
Philippines - Manila Comp.	5005.8	0.6	0.8	14.5	27.6	

Last update: today, 17.45 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)	6.33	-0.01	-0.30	6.33	6.33
	Hong Kong (HKD/USD)	7.76	-0.03	0.03	7.76	7.75
	Taiwan (TWD/USD)	29.5	0.02	0.01	29.43	29.17
	Japan (JPY/USD)	82.58	-0.42	-2.05	82.51	82.12
	Korea (KRW/USD)	1122	0.21	0.10	1130	1142
	India (INR/USD)	49.8	0.29	1.08	50.88	52.82
	Australia (USD/AUD)	1.05	0.29	-0.07	0.96	0.99
	Singapore (SGD/USD)	1.26	0.11	0.41	1.26	1.26
	Indonesia (IDR/USD)	9179	-0.11	0.11	9243	9562
	Thailand (THB/USD)	30.6	0.10	0.65	30.76	31.14
	Malaysia (MYR/USD)	3.04	-0.15	-0.43	3.05	3.08
Philippines (PHP/USD)	42.7	0.03	0.80	42.96	43.30	

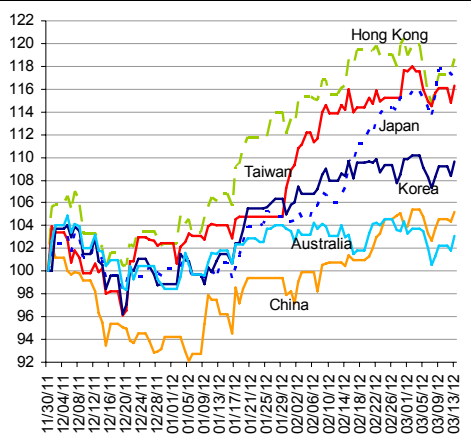
Last update: today, 17.45 Hong Kong time.

INTERBANK RATES	INDEX	Rate	net change over a day	net change over a week	net change over a month
	China (SHIBOR/7D)	3.00	0.20	0.00	-0.65
	Hong Kong (HIBOR/1W)	0.11	0.00	-0.01	-0.04
	Taiwan (TAIBOR/1W)	0.64	0.00	0.00	0.00
	Japan (TIBOR/1Y)	0.76	0.00	0	0
	Korea (KORIBOR/1M)	3.38	0.00	0.00	-0.01
	India (MIBOR/7D)	3.10	0.00	-0.03	-0.60
	Singapore (SIBOR/1W)	0.31	0.00	0.00	0.00
	Indonesia (JIBOR/1W)	3.81	0.00	0	0
	Thailand (BIBOR/1W)	3.01	0.00	0.00	0.00
	Malaysia (KLIBOR/1W)	2.90	0.00	0.00	0.00
	Philippines (PHIBOR/1W)	3.69	0.00	-0.13	-0.25

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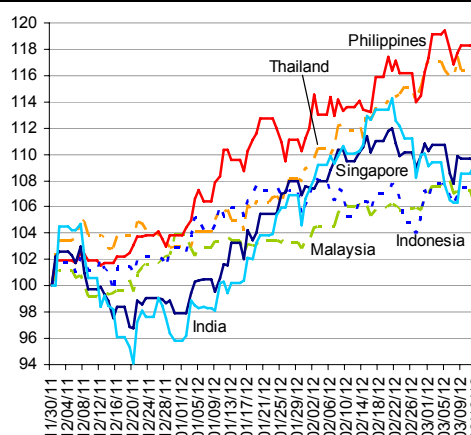
# Charts

Chart 9  
Stock Markets



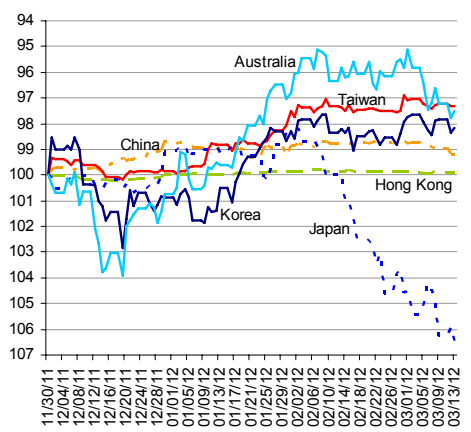
Source: BBVA Research and Bloomberg

Chart 10  
Stock Markets



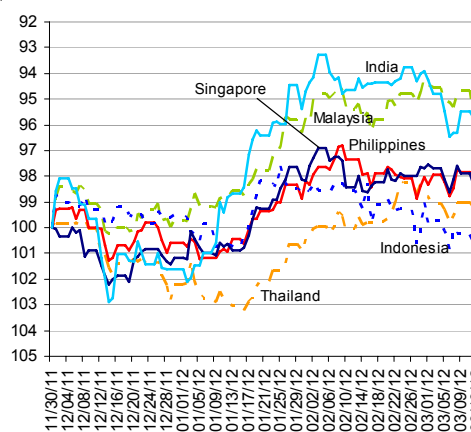
Source: BBVA Research and Bloomberg

Chart 11  
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Chart 12  
Foreign Exchange Markets



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Stephen Schwartz  
Chief Economist for Asia  
[stephen.schwartz@bbva.com.hk](mailto:stephen.schwartz@bbva.com.hk)

Fielding Chen  
Senior Economist  
[fielding.chen@bbva.com.hk](mailto:fielding.chen@bbva.com.hk)

Le Xia  
Senior Economist (China)  
[xia.le@bbva.com.hk](mailto:xia.le@bbva.com.hk)

Zhigang Li  
Senior Economist (China)  
[zhigang.li@bbva.com.hk](mailto:zhigang.li@bbva.com.hk)

Sumedh Deorukhkar  
Senior Economist (India, Mumbai)  
[sumedh.deorukhkar@grupobbva.com](mailto:sumedh.deorukhkar@grupobbva.com)

Jeffrey Cantwell  
Economist  
[jeffrey.cantwell@bbva.com.hk](mailto:jeffrey.cantwell@bbva.com.hk)

George Xu  
Economist  
[george.xu@bbva.com.hk](mailto:george.xu@bbva.com.hk)

Richard Li  
Asian FX Chief Strategist  
[richard.li@bbva.com.hk](mailto:richard.li@bbva.com.hk)

William Fitchett  
Economist  
[william.fitchett@bbva.com.hk](mailto:william.fitchett@bbva.com.hk)

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