

# Daily Flash

## Asia

*Despite weakness in Asian markets today (led by declines in Shanghai and Hong Kong) and a holiday in Japan, we see signs of an emerging rebound in Asian exports. Recent PMI outturns in China point to rising export orders, and fresh evidence came today in better-than-expected export orders in Taiwan (see below). These developments would be consistent with our view that Asian growth momentum is bottoming out, with a pickup expected on improving external demand. Rising oil prices, however, are creating new headwinds, a reminder of which came today with China's second fuel price hike for the year (see below).*

### Taiwan's export orders turn up in February

Export orders rose by more than expected in February, by 17.6% y/y (consensus: 13.0%) from -8.6% y/y in January. While the data are heavily distorted by the Chinese New Year effect, the rise nevertheless bodes well for Asia's export outlook in the coming months. Orders were up across the board, and even after combining January and February together, signs of improvement are evident.

### China fuel price increase is a reminder of new headwinds to growth

Despite the good news out of Taiwan, China's second fuel price increase for the year (as flagged in yesterday's Daily) is a reminder of the latest headwinds to growth from rising international oil prices. Today's increase amounts to a 7% rise in gasoline and diesel prices, on top of a 3% increase announced in early February. As much of China's energy consumption is based on coal, which has not risen in tandem with oil prices, the fuel price hikes are expected to have only a limited impact on growth and inflation (petroleum products account for only 0.5% of the CPI basket).

### China hints at interest rate liberalization

In an article circulated today, the PBOC Governor said that the conditions are "basically ripe" for pushing forward interest rate liberalization. The article suggests a greater willingness to move forward, compared to previous concerns about the impact of interest rate liberalization in attracting capital inflows. Although no timetable has been given, interest rate liberalization in the coming years, as flagged in the latest 5-year Plan, would enhance the efficiency of China's banking sector and may help to rebalance the economy toward domestic consumption.

### Briefly noted:

- **Australia's 30% tax on mining profits clears the final hurdle**, with passage today by the Senate. The tax will go into effect on July 1, and is a key element of the government's efforts to bring the budget back in to surplus.
- **Reserve Bank of Australia minutes from the March policy meeting were also released today**. In line with prevailing views, the minutes showed that the central bank judged interest rates to be at an appropriate level given the improving global outlook. The minutes also stressed that there is "ample room" to cut interest rates if global conditions worsen. We expect up to one more rate cut this year, although the odds of that are diminishing with the improved external outlook and inflationary pressures from rising fuel prices.

- **The Bank of Thailand will decide on interest rates tomorrow** when it holds its regular monetary policy meeting. The BOT has cut interest rates twice in recent months. We expect rates to stay on hold at the current accommodative level of 3.00% given signs of recovery and concerns about rising fuel prices.

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## Calendar Indicators

| <b>China</b>                       | <b>Date</b> | <b>Period</b> | <b>Prior</b> | <b>Cons.</b> | <b>Actual</b> |
|------------------------------------|-------------|---------------|--------------|--------------|---------------|
| HSBC Flash China Manufacturing PMI | 22-25 MAR   | MAR           | 49.7         | --           | --            |
| <b>Hong Kong</b>                   | <b>Date</b> | <b>Period</b> | <b>Prior</b> | <b>Cons.</b> | <b>Actual</b> |
| Unemployment Rate SA               | 19-Mar      | FEB           | 3.20%        | 3.30%        | 3.40%         |
| Bal of Paymts - Overall            | 22-Mar      | 4Q            | \$23.56B     | --           | --            |
| CPI - Composite Index (YoY)        | 22-Mar      | FEB           | 6.10%        | 5.00%        | --            |
| <b>Japan</b>                       | <b>Date</b> | <b>Period</b> | <b>Prior</b> | <b>Cons.</b> | <b>Actual</b> |
| All Industry Activity Index (MoM)  | 21-Mar      | JAN           | 1.30%        | -0.70%       | --            |
| Merchnds Trade Balance Total       | 22-Mar      | FEB           | -¥1475.0B    | -¥120.0B     | --            |
| Merchnds Trade Exports YoY         | 22-Mar      | FEB           | -9.3         | -6.5         | --            |
| Merchnds Trade Imports YoY         | 22-Mar      | FEB           | 9.8          | 8.2          | --            |
| <b>Malaysia</b>                    | <b>Date</b> | <b>Period</b> | <b>Prior</b> | <b>Cons.</b> | <b>Actual</b> |
| CPI YoY                            | 21-Mar      | FEB           | 2.70%        | 2.30%        | --            |
| <b>Philippines</b>                 | <b>Date</b> | <b>Period</b> | <b>Prior</b> | <b>Cons.</b> | <b>Actual</b> |
| Balance of Payments                | 19-Mar      | FEB           | \$864M       | --           | \$588M        |
| <b>Singapore</b>                   | <b>Date</b> | <b>Period</b> | <b>Prior</b> | <b>Cons.</b> | <b>Actual</b> |
| CPI (MOM) - NSA                    | 23-Mar      | FEB           | 0.90%        | 0.30%        | --            |
| CPI (YoY)                          | 23-Mar      | FEB           | 4.80%        | 5.10%        | --            |
| <b>Taiwan</b>                      | <b>Date</b> | <b>Period</b> | <b>Prior</b> | <b>Cons.</b> | <b>Actual</b> |
| Export Orders (YoY)                | 20-Mar      | FEB           | -8.63%       | 13.00%       | 17.60%        |
| Unemployment Rate - sa             | 22-Mar      | FEB           | 4.19%        | 4.20%        | --            |
| Industrial Production (YoY)        | 23-Mar      | FEB           | -16.46%      | 8.52%        | --            |
| <b>Vietnam</b>                     | <b>Date</b> | <b>Period</b> | <b>Prior</b> | <b>Cons.</b> | <b>Actual</b> |
| CPI (YoY)                          | 24-Mar      | MAR           | 16.40%       | --           | --            |
| Exports YTD (YoY)                  | 24-31 MAR   | MAR           | 24.80%       | --           | --            |
| Imports YTD (YoY)                  | 24-31 MAR   | MAR           | 11.80%       | --           | --            |

## Indicator of the Week

### Singapore: CPI Inflation for February (March 23)

Forecast: 5.0% y/y

Consensus: n/a

Prior: 4.8% y/y

The inflation outturn will be closely watched ahead of the Monetary Authority of Singapore's next semi-annual policy meeting, scheduled for mid-April. Inflation moderated in January after hovering above 5% y/y since June. Despite the recent increase in oil prices, the authorities have officially kept their 2012 inflation forecast of between 2.5%-3.5% y/y. A high inflation outturn would make the MAS more likely to stay on hold at the April policy meeting by leaving the current slope (estimated at 1%) and center of its exchange rate band unchanged. The recent improvement in the global environment also makes it less likely that the MAS will ease policy, despite the ongoing slowdown in Singapore's growth momentum. We expect inflation will remain elevated during the first half of the year, before moderating in the second half (BBVA Forecast: 3.0% y/y for 2012).

## Calendar Events

### Thailand - Benchmark Interest Rate, March 21

We expect the benchmark rate to remain unchanged

| Current | Consensus | New |
|---------|-----------|-----|
| 3.00%   | 3.00%     | --  |

### Taiwan - Benchmark Interest Rate, March 22

We expect the benchmark rate to remain unchanged

| Current | Consensus | New |
|---------|-----------|-----|
| 1.875%  | 1.875%    | --  |

## 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.   | 2376.8     | -1.4                | -3.2                 | 8.1          | -18.2             |
|                            | Hong Kong - Hang Seng    | 20888.2    | -1.1                | -2.1                 | 13.3         | -6.3              |
|                            | Taiwan - Weighted        | 7972.7     | -0.9                | -0.7                 | 12.7         | -5.0              |
|                            | Japan - Nikkei 225       | 10142.0    | na                  | 2.5                  | 19.9         | 10.2              |
|                            | Korea - Kospi            | 2042.2     | -0.2                | 0.8                  | 11.9         | 3.1               |
|                            | India - Sensex 30        | 17316.2    | 0.2                 | -2.8                 | 12.0         | -3.1              |
|                            | Australia - SPX/ASX 200  | 4275.0     | -0.4                | 0.6                  | 5.4          | -7.6              |
|                            | Singapore - Strait Times | 3002.7     | 0.4                 | 0.5                  | 13.5         | 2.3               |
|                            | Indonesia - Jakarta Comp | 4022.2     | -0.1                | 0.3                  | 5.2          | 15.1              |
|                            | Thailand - SET           | 1196.6     | 0.6                 | 3.7                  | 16.7         | 19.3              |
|                            | Malaysia - KLCI          | 1577.6     | 0.3                 | 0.9                  | 3.1          | 4.9               |
| Philippines - Manila Comp. | 5102.2                   | -0.5       | 1.9                 | 16.7                 | 32.9         |                   |

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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)     | 6.32  | -0.03               | 0.04                 | 6.33            | 6.34             |
|                          | Hong Kong (HKD/USD) | 7.76  | -0.03               | -0.06                | 7.76            | 7.75             |
|                          | Taiwan (TWD/USD)    | 29.5  | -0.06               | -0.10                | 29.53           | 29.26            |
|                          | Japan (JPY/USD)     | 83.76 | -0.49               | -0.98                | 83.69           | 83.30            |
|                          | Korea (KRW/USD)     | 1125  | -0.23               | -0.30                | 1136            | 1149             |
|                          | India (INR/USD)     | 50.4  | -0.33               | -0.92                | 51.60           | 53.77            |
|                          | Australia (USD/AUD) | 1.05  | -1.00               | -0.49                | 0.96            | 0.99             |
|                          | Singapore (SGD/USD) | 1.26  | -0.65               | -0.40                | 1.26            | 1.26             |
|                          | Indonesia (IDR/USD) | 9160  | -0.35               | 0.21                 | 9241            | 9564             |
|                          | Thailand (THB/USD)  | 30.8  | -0.23               | -0.59                | 30.91           | 31.30            |
|                          | Malaysia (MYR/USD)  | 3.07  | -0.65               | -1.25                | 3.09            | 3.12             |
| Philippines (PHP/USD)    | 43.0                | -0.24 | -0.81               | 43.20                | 43.64           |                  |

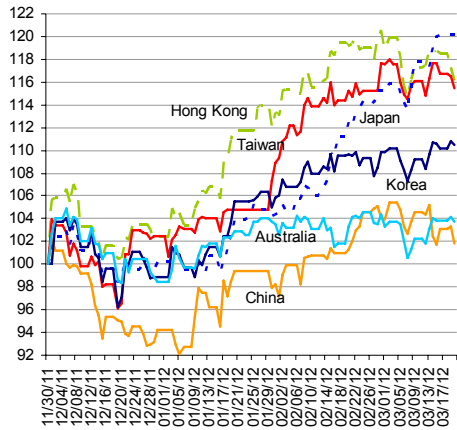
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| INTERBANK RATES | INDEX                   | Rate | net change over a day | net change over a week | net change over a month |
|-----------------|-------------------------|------|-----------------------|------------------------|-------------------------|
|                 | China (SHIBOR/7D)       | 3.00 | 0.12                  | 0.13                   | -2.35                   |
|                 | Hong Kong (HIBOR/1W)    | 0.11 | 0.00                  | 0.00                   | -0.01                   |
|                 | 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                   | 0.00                    |
|                 | India (MIBOR/7D)        | 3.40 | 0.50                  | 0.30                   | -1.97                   |
|                 | Singapore (SIBOR/1W)    | 0.31 | 0.00                  | 0.00                   | 0.00                    |
|                 | Indonesia (JIBOR/1W)    | 3.81 | 0.00                  | 0                      | 0                       |
|                 | Thailand (BIBOR/1W)     | 3.02 | 0.00                  | 0.01                   | 0.01                    |
|                 | Malaysia (KLIBOR/1W)    | 2.90 | 0.00                  | 0.00                   | 0.00                    |
|                 | Philippines (PHIBOR/1W) | 3.88 | 0.06                  | 0.19                   | 0.38                    |

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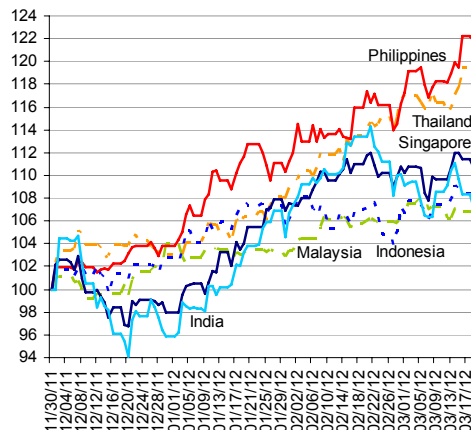
# Charts

Chart 9  
Stock Markets



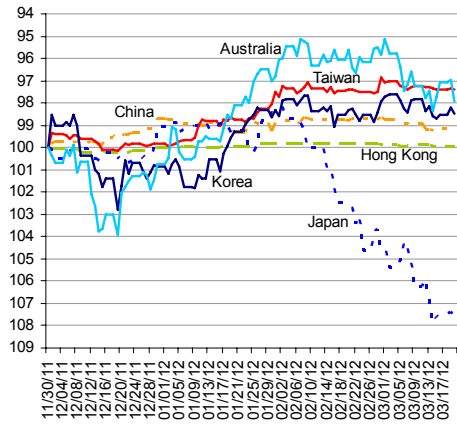
Source: BBVA Research and Bloomberg

Chart 10  
Stock Markets



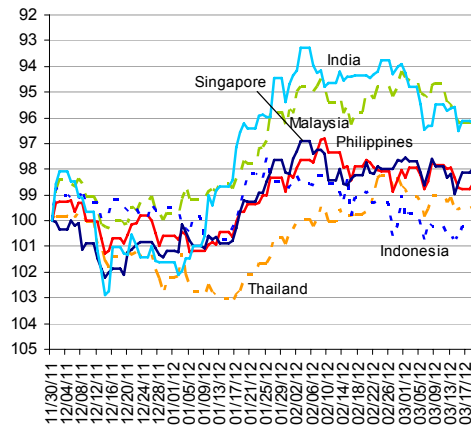
Source: BBVA Research and Bloomberg

Chart 11  
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Chart 12  
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

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