

Daily Flash

Asia

A number of media outlets have been citing China's slowing growth outlook as a factor for weakening market sentiment over the past day, especially after remarks by BHP Billiton about slowing demand for iron ore. In our view, China's slowing growth and economic rebalancing are not new. We continue to expect overall domestic demand and commodity imports to be robust during the remainder of 2012, facilitated by growth-supportive policy stance.

Thailand's keeps rates unchanged, in line with an emerging trend in Asia

As expected, the Bank of Thailand (BOT) held interest rates unchanged at 3% today after two consecutive 25bps cuts in previous months. The BOT cited an improving external outlook and noted that the recovery is gaining momentum (it was reported to have raised its growth outlook to 5.7% from 4.9% previously). At the same time, the BOT cited inflation as a risk due to increasing oil prices. The BOT's statement is representative of a more general hawkish tone across Asian central banks in recent weeks, although we continue to expect easing monetary stances in China and India.

China's Guangdong Province pension fund may diversify into equities

The government of Guangdong Province has cleared the way for a portion of its pension fund to invest in equities. However, only a small fraction of the funds (less than 10%, according to estimates) are to be invested in equities, with the vast majority remaining in fixed income products. When this news was first rumored a month ago, it had a strong positive market impact, although the reaction today was more muted, with China's markets mostly flat.

Briefly noted:

- **The IMF has praised India's new government budget** proposals for 2012-13, a possible factor for a rally in the SENSEX today, which was up by 1.7%.
- **A first RMB-denominated IPO in Singapore?** Bloomberg reported on rumors of a first-ever yuan-denominated initial public offering. If confirmed, it would be further evidence of the gradual internationalization of the RMB, with Singapore and London following in Hong Kong's footsteps as centers of offshore RMB-related activity.
- **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

China	Date	Period	Prior	Cons.	Actual
HSBC Flash China Manufacturing PMI	22-Mar	MAR	49.6	--	--
Hong Kong	Date	Period	Prior	Cons.	Actual
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%	5.20%	--
Japan	Date	Period	Prior	Cons.	Actual
All Industry Activity Index (MoM)	21-Mar	JAN	1.30%	-0.70%	-1.00%
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	--
Malaysia	Date	Period	Prior	Cons.	Actual
CPI YoY	23-Mar	FEB	2.70%	2.40%	--
Philippines	Date	Period	Prior	Cons.	Actual
Balance of Payments	19-Mar	FEB	\$864M	--	\$588M
Singapore	Date	Period	Prior	Cons.	Actual
CPI (MOM) - NSA	23-Mar	FEB	0.90%	0.30%	--
CPI (YoY)	23-Mar	FEB	4.80%	5.10%	--
Taiwan	Date	Period	Prior	Cons.	Actual
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%	--
Vietnam	Date	Period	Prior	Cons.	Actual
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

The benchmark interest rate remained unchanged

Current

3.00%

Consensus

3.00%

New

3.00%

Taiwan - Benchmark Interest Rate, March 22

We expect the benchmark rate to remain unchanged

Current

1.875%

Consensus

1.875%

New

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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.	2378.2	0.1	-0.5	8.1	-18.3
	Hong Kong - Hang Seng	20856.6	-0.2	-2.1	13.1	-8.1
	Taiwan - Weighted	7981.9	0.1	-1.8	12.9	-5.7
	Japan - Nikkei 225	10086.5	-0.5	1.9	19.3	9.6
	Korea - Kospi	2027.2	-0.7	-0.9	11.0	1.2
	India - Sensex 30	17618.2	1.7	-1.7	14.0	-1.2
	Australia - SPX/ASX 200	4254.3	-0.5	-0.8	4.9	-8.4
	Singapore - Strait Times	3005.6	0.1	-0.7	13.6	0.7
	Indonesia - Jakarta Comp	4036.2	0.3	-0.4	5.6	14.7
	Thailand - SET	1207.7	0.9	3.7	17.8	18.4
	Malaysia - KLCI	1582.5	0.3	0.4	3.4	4.9
Philippines - Manila Comp.	5037.9	-1.3	-0.3	15.2	31.0	

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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)	6.32	0.03	0.15	6.33	6.34
	Hong Kong (HKD/USD)	7.76	-0.01	-0.04	7.76	7.75
	Taiwan (TWD/USD)	29.6	-0.06	-0.13	29.50	29.25
	Japan (JPY/USD)	83.89	-0.23	-0.19	83.82	83.42
	Korea (KRW/USD)	1130	-0.41	-0.29	1134	1147
	India (INR/USD)	50.4	-0.09	-1.06	51.58	53.75
	Australia (USD/AUD)	1.05	0.10	0.35	0.96	0.99
	Singapore (SGD/USD)	1.26	0.17	0.47	1.26	1.26
	Indonesia (IDR/USD)	9182	-0.24	-0.10	9259	9590
	Thailand (THB/USD)	30.7	0.16	0.13	30.89	31.29
	Malaysia (MYR/USD)	3.07	0.00	-0.80	3.09	3.12
Philippines (PHP/USD)	43.0	0.09	-0.34	43.20	43.63	

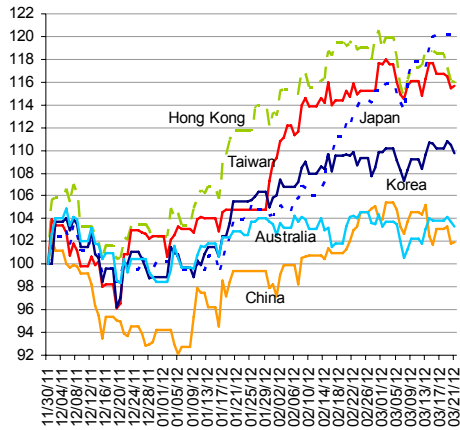
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INTERBANK RATES	INDEX	Rate	net change over a day	net change over a week	net change over a month
	China (SHIBOR/7D)	3.10	0.10	0.20	-2.02
	Hong Kong (HIBOR/1W)	0.11	0.00	0.00	-0.01
	Taiwan (TAIBOR/1W)	0.64	0.00	0.00	0.00
	Japan (TIBOR/1Y)	0.76	0.00	0	0
	Korea (KORIBOR/1M)	3.38	0.00	0.00	0.00
	India (MIBOR/7D)	3.13	-0.27	0.15	-3.47
	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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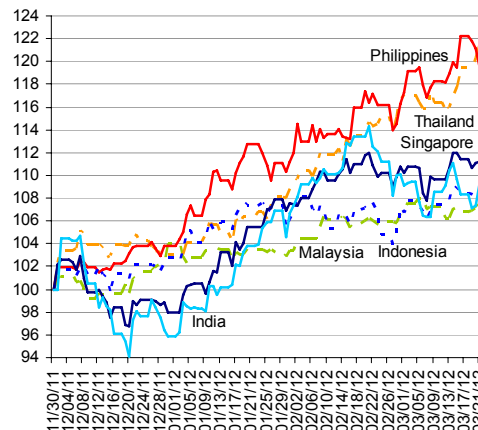
Charts

Chart 9
Stock Markets



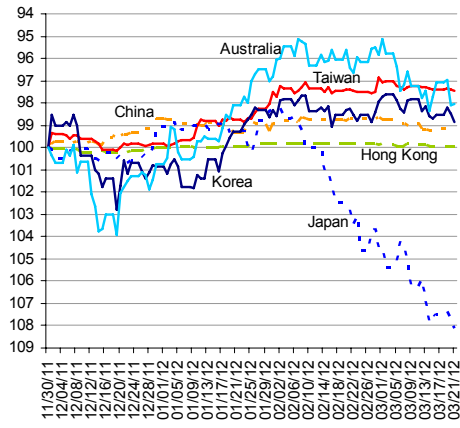
Source: BBVA Research and Bloomberg

Chart 10
Stock Markets



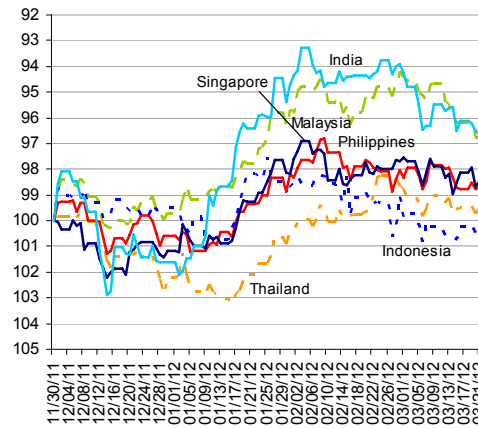
Source: BBVA Research and Bloomberg

Chart 11
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Chart 12
Foreign Exchange Markets



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