

Daily Flash

Asia

Regional sentiment was boosted by yesterday's better-than-expected March PMI release in China (see below), although skepticism persists given that seasonality may have played a large role. Markets were generally higher, although Hong Kong (-.2%) and Taiwan (-.9%) registered losses, possibly due to reduced expectations of policy easing after the strong China PMI release. Markets in China are closed for holidays through April 4.

China PMI surprises to the upside, but seasonality may be a factor

The official NBS Purchasing Managers Index (PMI) for March, released yesterday, surprised to the upside at 53.1% (BBVA: 51.0; consensus: 50.8) on strong new orders, production, and employment subcomponents (see *China Flash* for details). At the same time, however, the private-sector (Markit) PMI weakened to 48.3%, raising questions about the accuracy of the PMI readings. The divergence in the two indices is likely due to lingering Chinese New Year seasonal effects and differences in sample coverage, with the official index covering larger and more domestic-oriented firms, which have been faring better in the current economic climate. On the balance, we believe the official PMI outturn reflects underlying strength of domestic demand, with risks of a hard-landing still on the low side.

Despite tame Indonesian inflation, sentiment falls on delayed fuel price hikes

Inflation for March ticked up to 4.0% y/y from 3.6% in February, as expected, while sequential monthly inflation remained subdued at 0.07%. International investor sentiment, however, has been shaken by the Parliament's sudden refusal late on Friday to approve a fuel price hike, previously scheduled for April 1, to maintain subsidy payments within budgeted levels. The outcome reflects rising political tensions ahead of 2014 presidential elections, and could factor negatively into S&P's forthcoming decision on an upgrade (Fitch and Moody's have both given Indonesia an investment grade, with S&P still one notch below).

South Korea's inflation eases ahead of next week's monetary policy meeting

On a day when Moody's raised its outlook for South Korea to 'positive' from 'stable' (current rating: A1), and one day after March exports came in lower than expectations (-1.4% y/y, consensus 1.3% y/y), Korea's inflation for the month of March eased to 2.6% y/y (consensus: 3.2% y/y) from 3.1% in February. While the lower inflation outturn may give some room for policymakers to cut interest rates to support growth (given the official inflation target of 2-4%), we nevertheless expect the BOK to remain on hold at the next monetary meeting on April 13, given concerns about the impact of rising oil prices on the inflation outlook.

Briefly noted:

- **India's manufacturing activity continued to expand**, but March manufacturing PMI moderated to 54.7 from 56.6 in February on weakening output and new orders growth. Also, India's monthly trade deficit widened to USD15 bn in February, showing continued weakness due to higher oil prices and a jump in gold imports.
- **The Reserve Bank of Australia will hold its regular monetary policy meeting tomorrow**, where rates are likely to stay on hold at 4.25%.

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

With contributions from the BBVA Research Asia Team

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

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

Calendar Indicators

Australia	Date	Period	Prior	Cons.	Actual
TD Securities Inflation MoM%	02-Apr	MAR	0.10%	--	0.50%
China	Date	Period	Prior	Cons.	Actual
China HSBC Services PMI	05-Apr	MAR	53.9	--	--
Hong Kong	Date	Period	Prior	Cons.	Actual
Purchasing Managers Index	05-Apr	MAR	52.8	--	--
Indonesia	Date	Period	Prior	Cons.	Actual
Inflation (YoY)	02-Apr	MAR	3.56%	4.00%	3.97%
Inflation NSA (MoM)	02-Apr	MAR	0.05%	0.13%	0.07%
Exports (YoY)	02-Apr	FEB	6.10%	6.40%	8.50%
Total Imports (YoY)	02-Apr	FEB	16.00%	22.90%	27.30%
India	Date	Period	Prior	Cons.	Actual
Exports YoY%	02-Apr	FEB	10.10%	--	4.30%
Imports YoY%	02-Apr	FEB	20.30%	--	20.70%
Philippines	Date	Period	Prior	Cons.	Actual
Consumer Price Index (YoY)	04-Apr	MAR	2.70%	2.80%	--
Singapore	Date	Period	Prior	Cons.	Actual
Purchasing Managers Index	03-Apr	MAR	50.4	--	--
South Korea	Date	Period	Prior	Cons.	Actual
Consumer Price Index (MoM)	02-Apr	MAR	0.40%	0.40%	-0.10%
Consumer Price Index (YoY)	02-Apr	MAR	3.10%	3.20%	2.60%
Taiwan	Date	Period	Prior	Cons.	Actual
CPI YoY%	05-Apr	MAR	0.25%	1.30%	--
Thailand	Date	Period	Prior	Cons.	Actual
Consumer Price Index (YoY)	03-Apr	MAR	3.35%	3.20%	--

Calendar Events

Australia - RBA cash target, April 3

We expect the cash target to remain unchanged

Current	Consensus	New
4.25%	4.25%	--

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.	2262.8	0.5	-3.7	2.9	-23.7
	Hong Kong - Hang Seng	20522.3	-0.2	-0.7	11.3	-13.8
	Taiwan - Weighted	7862.9	-0.9	-1.3	11.2	-9.7
	Japan - Nikkei 225	10109.9	0.3	0.9	19.6	4.1
	Korea - Kospi	2029.3	0.8	0.5	11.1	-4.3
	India - Sensex 30	17491.9	0.5	2.6	13.2	-9.9
	Australia - SPX/ASX 200	4329.3	-0.1	1.6	6.7	-11.0
	Singapore - Strait Times	3016.1	0.2	1.4	14.0	-3.3
	Indonesia - Jakarta Comp	4166.1	1.1	3.3	9.0	12.4
	Thailand - SET	1199.1	0.2	0.9	16.9	12.7
	Malaysia - KLCI	1603.8	0.5	1.3	4.8	3.1
Philippines - Manila Comp.	5110.9	0.1	1.6	16.9	23.8	

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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)	6.29	0.16	0.42	6.31	6.32
	Hong Kong (HKD/USD)	7.77	0.01	0.05	7.76	7.76
	Taiwan (TWD/USD)	29.5	0.03	0.41	29.40	29.12
	Japan (JPY/USD)	82.80	0.08	0.02	82.73	82.36
	Korea (KRW/USD)	1128	0.46	1.22	1133	1146
	India (INR/USD)	50.9	1.02	0.59	51.81	53.74
	Australia (USD/AUD)	1.04	0.42	-1.38	0.97	1.00
	Singapore (SGD/USD)	1.25	0.24	0.21	1.25	1.25
	Indonesia (IDR/USD)	9140	0.07	0.70	9254	9576
	Thailand (THB/USD)	30.8	-0.03	-0.52	31.01	31.46
	Malaysia (MYR/USD)	3.05	0.34	0.83	3.07	3.11
Philippines (PHP/USD)	42.7	0.47	0.85	42.92	43.30	

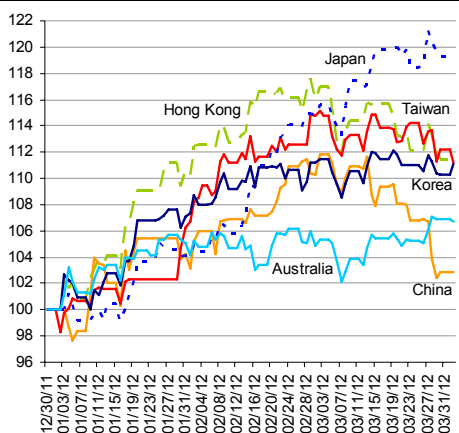
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INTERBANK RATES	INDEX	Rate	net change over a day	net change over a week	net change over a month
	China (SHIBOR/7D)	3.45	-0.25	0.25	0.18
	Hong Kong (HIBOR/1W)	0.11	0.00	0.00	-0.01
	Taiwan (TAIBOR/1W)	0.65	0.00	0.00	0.00
	Japan (TIBOR/1Y)	0.76	0.00	0	0
	Korea (KORIBOR/1M)	3.38	0.00	0.00	0.00
	India (MIBOR/7D)	3.65	0.21	0.30	0.38
	Singapore (SIBOR/1W)	0.25	0.00	0.00	-0.06
	Indonesia (JIBOR/1W)	3.81	0.00	0	0
	Thailand (BIBOR/1W)	3.02	0.00	0.00	0.01
	Malaysia (KLIBOR/1W)	2.90	0.00	0.00	0.00
	Philippines (PHIBOR/1W)	3.50	0.06	0.00	-0.13

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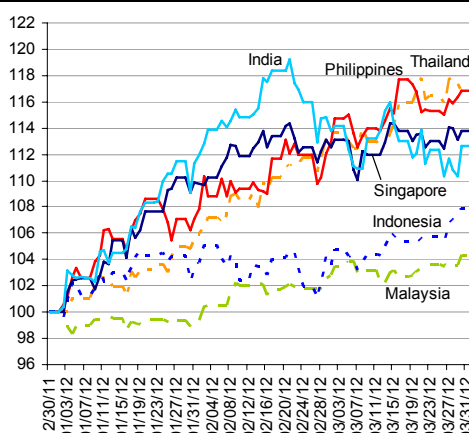
Charts

Chart 9
Stock Markets



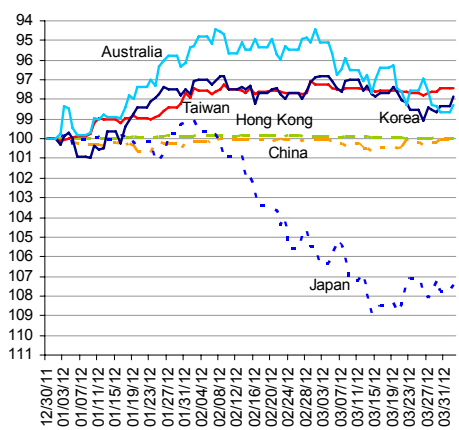
Source: BBVA Research and Bloomberg

Chart 10
Stock Markets



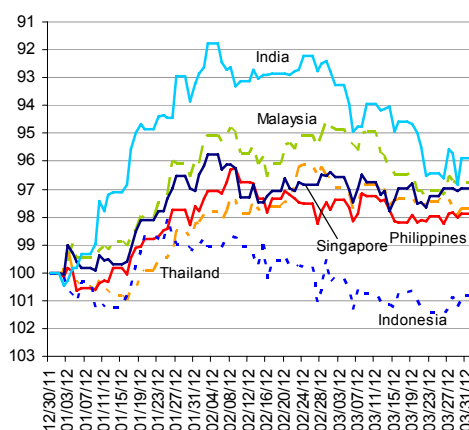
Source: BBVA Research and Bloomberg

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

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

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

Zhigang Li
Senior Economist (China)
zhigang.li@bbva.com.hk

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

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

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

Richard Li
Asian FX Chief Strategist
richard.li@bbva.com.hk

William Fitchett
Economist
william.fitchett@bbva.com.hk

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