

# Daily Flash

Asia

*The Daily Flash resumes today after a week-long absence since April 3. Although many markets around the region were closed during part of the holiday period, there was, nevertheless, an abundance of market-moving news, especially from China (see below). March inflation showed a slight rise, while today's release of import data disappointed to the downside. These developments have weighed negatively on markets, which were already downbeat after disappointing March US jobs data. Hong Kong closed down by -1.2%, while Shanghai (which unlike Hong Kong, was open yesterday) was up +0.9%.*

## China's March inflation rises, while imports suggest weak domestic demand

China's March CPI, released yesterday, ticked up modestly to 3.6% y/y (BBVA: 3.5%; consensus: 3.4%) from 3.2% y/y in February. The increase was driven by base effects and rising food and fuel prices. We are not overly concerned by the outturn, as February was distorted down by the Chinese New Year effect, and we continue to expect inflation to ease to around 3% by mid-year.

Trade data released today show better-than-expected exports (8.9% y/y vs. consensus: 7.0%), while imports slowed to 5.3% y/y (consensus: 9.0%). As a result, the trade surplus for March reached a higher than expected US\$5.35 billion, reversing a large deficit in February. Lower imports will need to be watched for signs of weakening domestic demand. For now, we await the release of Q1 GDP and other activity indicators during the remainder of this week, while we maintain our expectations of another 100-150bp in cuts in the RRR over the coming quarters, and up to two more interest rate cuts to support growth.

## CSRC eases limits for foreign investors through QFII and RQFII

On April 3rd, the China Securities Regulatory Commission (CSRC) announced a significant increase in the aggregate quota of the QFII program, from USD 30 billion to USD 80 billion, and an increase in the RQFII program from RMB 20 billion to RMB 70 billion. While the increase in the quotas is consistent with the longer-term agenda of opening the capital account, the timing may have been influenced by a desire to reverse recent capital outflows.

## Bank of Japan leaves monetary policy unchanged

Today the Bank of Japan kept its policy rate at 0.10%, as expected, while noting that economic activity is showing signs of improvement. Some market watchers were disappointed that the BOJ did not further expand its asset purchase program, an option we believe remains on the table in the coming months pending further data outturns. The next policy meeting will be held on April 27.

## Briefly noted:

**Korea's politicians made a last appeal to voters today** before Parliamentary elections to be held tomorrow. While the outcome remains too close to call, tensions with North Korea over an upcoming rocket launch could swing support to the majority New Frontier Party given its perceived willingness to adopt a harder-line stance.

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## Calendar Indicators

| <b>Australia</b>              | <b>Date</b> | <b>Period</b> | <b>Prior</b> | <b>Cons.</b> | <b>Actual</b> |
|-------------------------------|-------------|---------------|--------------|--------------|---------------|
| Employment Change             | 12-Apr      | MAR           | -15.4K       | 6.5K         | --            |
| Unemployment Rate             | 12-Apr      | MAR           | 5.20%        | 5.30%        | --            |
| <b>China</b>                  | <b>Date</b> | <b>Period</b> | <b>Prior</b> | <b>Cons.</b> | <b>Actual</b> |
| Foreign Exchange Reserves     | 08-13 APR   | MAR           | \$3181.1B    | \$3200.0B    | --            |
| New Yuan Loans                | 08-13 APR   | MAR           | 710.7B       | 797.5B       | --            |
| Money Supply - M2 (YoY)       | 08-13 APR   | MAR           | 13.00%       | 13.00%       | --            |
| Producer Price Index (YoY)    | 09-Apr      | MAR           | 0.00%        | -0.30%       | -0.30%        |
| Consumer Price Index (YoY)    | 09-Apr      | MAR           | 3.20%        | 3.40%        | 3.60%         |
| Trade Balance (USD)           | 10-Apr      | MAR           | -\$31.48B    | -\$3.15B     | \$5.35B       |
| Exports YoY%                  | 10-Apr      | MAR           | 18.40%       | 7.00%        | 8.90%         |
| Imports YoY%                  | 10-Apr      | MAR           | 39.60%       | 9.00%        | 5.30%         |
| Industrial Production YTD YoY | 13-Apr      | MAR           | 11.40%       | 11.30%       | --            |
| Industrial Production (YoY)   | 13-Apr      | MAR           | --           | 11.60%       | --            |
| Real GDP YTD (YoY)            | 13-Apr      | 1Q            | 9.20%        | 8.40%        | --            |
| Real GDP (QoQ)                | 13-Apr      | 1Q            | 2.00%        | 1.90%        | --            |
| Real GDP (YoY)                | 13-Apr      | 1Q            | 8.90%        | 8.40%        | --            |
| Retail Sales (YoY)            | 13-Apr      | MAR           | --           | 15.10%       | --            |
| Actual FDI (YoY)              | 14-18 APR   | MAR           | -0.90%       | -13.60%      | --            |
| <b>India</b>                  | <b>Date</b> | <b>Period</b> | <b>Prior</b> | <b>Cons.</b> | <b>Actual</b> |
| Industrial Production YoY     | 12-Apr      | FEB           | 6.80%        | 6.70%        | --            |
| <b>Japan</b>                  | <b>Date</b> | <b>Period</b> | <b>Prior</b> | <b>Cons.</b> | <b>Actual</b> |
| Current Account Total         | 09-Apr      | FEB           | ¥437.3B      | ¥1120.0B     | ¥1177.8B      |
| Machine Orders (MoM)          | 11-Apr      | FEB           | 3.40%        | -0.80%       | --            |
| <b>Malaysia</b>               | <b>Date</b> | <b>Period</b> | <b>Prior</b> | <b>Cons.</b> | <b>Actual</b> |
| Exports YoY%                  | 10-Apr      | FEB           | 0.40%        | 15.30%       | 14.50%        |
| Industrial Production YoY     | 10-Apr      | FEB           | 0.20%        | 5.00%        | 7.50%         |
| <b>Philippines</b>            | <b>Date</b> | <b>Period</b> | <b>Prior</b> | <b>Cons.</b> | <b>Actual</b> |
| Total Exports (YoY)           | 12-Apr      | FEB           | 3.00%        | 1.70%        | --            |
| <b>Singapore</b>              | <b>Date</b> | <b>Period</b> | <b>Prior</b> | <b>Cons.</b> | <b>Actual</b> |
| GDP (QoQ)                     | 11-13 APR   | 1Q A          | -2.50%       | 6.80%        | --            |
| GDP (YoY)                     | 11-13 APR   | 1Q A          | 3.60%        | 1.00%        | --            |
| <b>South Korea</b>            | <b>Date</b> | <b>Period</b> | <b>Prior</b> | <b>Cons.</b> | <b>Actual</b> |
| Unemployment Rate (SA)        | 12-Apr      | MAR           | 3.70%        | 3.60%        | --            |
| <b>Taiwan</b>                 | <b>Date</b> | <b>Period</b> | <b>Prior</b> | <b>Cons.</b> | <b>Actual</b> |
| Total Exports (YoY)           | 09-Apr      | MAR           | 10.30%       | -4.50%       | -3.20%        |

## Indicator of the Week

### China: GDP for Q1 (April 13)

Forecast: 8.7% yoy

Consensus: 8.4% yoy

Prior: 8.9% yoy

Comment: Q1 indicators present mixed readings on underlying growth momentum, as production, retail sales, and aggregate liquidity moderated more than expected for Jan-Feb, and PMI for Q1 kept strengthening. We anticipate GDP growth to slow, but only modestly, to 8.7% in Q1 2012 from 8.9% in Q4 2011. Moreover, sequential growth momentum is likely to bottom out in Q1 on supportive fiscal and monetary policies, in line with our full-year GDP growth projection of 8.3%. We expect another 100-150bp of cuts in the RRR in the coming quarters, and up to two interest rate cuts depending on the external outlook. In addition to GDP, a number of important monthly indicators will also be released this week, including industrial production, investment, retail sales, and credit aggregates.

## Calendar Events

### Japan - BOJ target rate, April 10

We expected the target rate to remain unchanged

| Current | Consensus | New   |
|---------|-----------|-------|
| 0.10%   | 0.10%     | 0.10% |

### Indonesia - Bank Indonesia reference rate, April 12

We expect the reference rate to remain unchanged

| Current | Consensus | New |
|---------|-----------|-----|
| 5.75%   | 5.75%     | --  |

### South Korea - 7-Day repo rate, April 13

We expect the repo rate to remain unchanged

| Current | Consensus | New |
|---------|-----------|-----|
| 3.25%   | 3.25      | --  |

## 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.   | 2305.9     | 0.9                 | 2.4                  | 4.8          | -23.9             |
|                            | Hong Kong - Hang Seng    | 20356.2    | -1.2                | -1.2                 | 10.4         | -16.2             |
|                            | Taiwan - Weighted        | 7640.7     | 0.5                 | -2.8                 | 8.0          | -14.1             |
|                            | Japan - Nikkei 225       | 9538.0     | -0.1                | -5.1                 | 12.8         | -2.4              |
|                            | Korea - Kospi            | 1994.4     | -0.1                | -2.7                 | 9.2          | -6.3              |
|                            | India - Sensex 30        | 17243.8    | 0.1                 | -0.9                 | 11.6         | -11.3             |
|                            | Australia - SPX/ASX 200  | 4292.3     | -0.6                | -1.0                 | 5.8          | -12.6             |
|                            | Singapore - Strait Times | 2982.4     | 0.8                 | -1.1                 | 12.7         | -6.4              |
|                            | Indonesia - Jakarta Comp | 4149.8     | -0.1                | -0.4                 | 8.6          | 10.9              |
|                            | Thailand - SET           | 1165.6     | -1.4                | -2.6                 | 13.7         | 8.3               |
|                            | Malaysia - KLCI          | 1597.2     | 0.4                 | -0.6                 | 4.3          | 2.5               |
| Philippines - Manila Comp. | 5022.3                   | -0.3       | -1.2                | 14.9                 | 20.5         |                   |

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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)     | 6.31  | -0.03               | -0.39                | 6.33            | 6.34             |
|                          | Hong Kong (HKD/USD) | 7.77  | 0.00                | 0.00                 | 7.76            | 7.76             |
|                          | Taiwan (TWD/USD)    | 29.5  | 0.01                | -0.27                | 29.46           | 29.19            |
|                          | Japan (JPY/USD)     | 81.17 | 0.39                | 2.02                 | 81.09           | 80.64            |
|                          | Korea (KRW/USD)     | 1140  | -0.12               | -1.57                | 1149            | 1162             |
|                          | India (INR/USD)     | 51.4  | -0.41               | -1.25                | 52.45           | 54.66            |
|                          | Australia (USD/AUD) | 1.03  | -0.26               | -0.44                | 0.98            | 1.01             |
|                          | Singapore (SGD/USD) | 1.26  | 0.06                | -0.46                | 1.26            | 1.26             |
|                          | Indonesia (IDR/USD) | 9168  | -0.20               | -0.38                | 9263            | 9580             |
|                          | Thailand (THB/USD)  | 31.0  | -0.06               | -0.29                | 31.13           | 31.55            |
|                          | Malaysia (MYR/USD)  | 3.08  | -0.14               | -0.91                | 3.09            | 3.13             |
| Philippines (PHP/USD)    | 42.8                | 0.21  | -0.25               | 43.04                | 43.40           |                  |

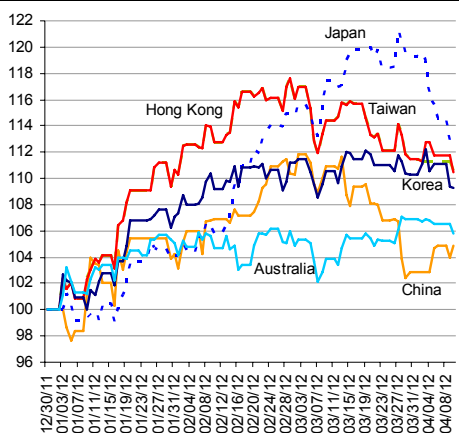
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| INTERBANK RATES | INDEX                   | Rate | net change over a day | net change over a week | net change over a month |
|-----------------|-------------------------|------|-----------------------|------------------------|-------------------------|
|                 | China (SHIBOR/7D)       | 3.70 | -0.05                 | -0.30                  | 0.70                    |
|                 | Hong Kong (HIBOR/1W)    | 0.11 | 0.00                  | 0.00                   | 0.00                    |
|                 | 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)        | 4.10 | 0.06                  | 0.25                   | 1.13                    |
|                 | 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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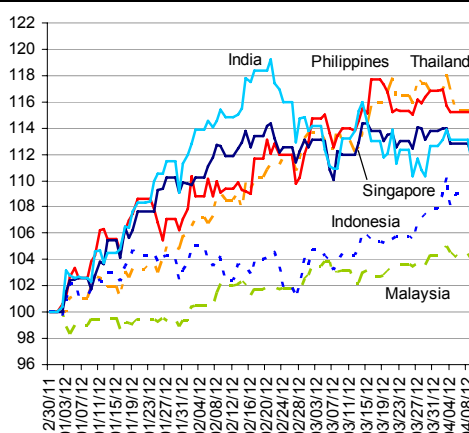
# Charts

Chart 9  
Stock Markets



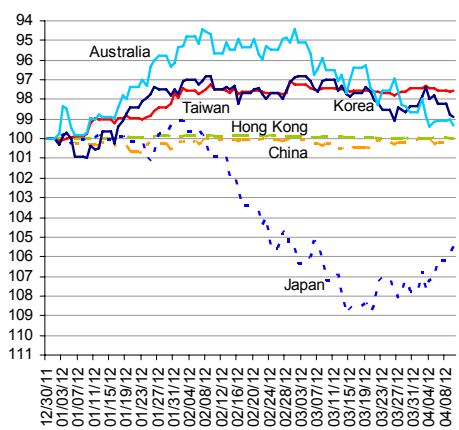
Source: BBVA Research and Bloomberg

Chart 10  
Stock Markets



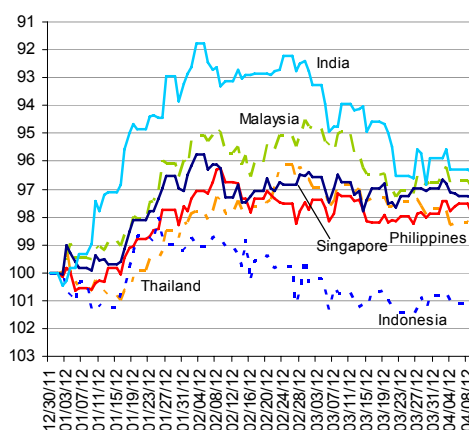
Source: BBVA Research and Bloomberg

Chart 11  
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Chart 12  
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

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