

Daily Flash

Asia

Media reports state that an earthquake with a magnitude of 8.7 has struck in the Indian Ocean, off the western coast of the Indonesian island of Sumatra, triggering an official tsunami warning and putting a damper on what was already a fairly downbeat day. The earthquake has struck in a similar location to the 2004 earthquake which caused a tsunami that devastated the region. As events are still unfolding, it is hard to comment further at this point, other than to hope for the best. Markets were broadly lower today, with the Hang Seng (-1.1%) and Nikkei (-0.8%) tracking recent weakness in the European and US markets as caution over the external outlook appears to be increasing.

Asian Development Bank cuts Asia growth forecast, says inflation may rise

The Asian Development Bank released its annual Outlook report today in which it lowered its Asia GDP growth forecast in 2012 to 6.9% y/y (BBVA: 6.8% y/y), from 7.5% y/y previously. Despite the downward revisions to its forecasts, the ADB highlighted Asia's resilience given the challenging external environment, but mentioned rising oil prices as a key risk to the outlook. The report's conclusions are broadly in line with our views, as we expect Asia will continue leading the world's growth given its healthy underlying fundamentals. Among the more significant revisions to ADB's forecasts was India, where growth is expected to moderate to 7.0% y/y for the year ending March 2013 (BBVA est: 7.1%), lower than its previous forecast of 8.0% y/y. The ADB expects India will ease its monetary policy over the coming year to help stimulate investment; however, the impact of rate cuts will likely be limited until regulatory obstacles which are currently hampering investment have been addressed.

Japan's machinery orders point towards improving outlook

Machinery orders advanced +4.8% y/y (consensus: -0.8%) in February, up from +3.4% in the previous month. The unexpected increase points to a gradual improvement in Japan's capital spending, which had been sluggish after a slow recovery from last year's earthquake. This outturn dovetailed with yesterday's statement by the Bank of Japan (after it kept its monetary policy unchanged), as authorities noted that the economy has been picking up gradually.

Briefly noted:

- **According to the Jakarta Post, the government announced today that Indonesia will no longer export raw natural resources after 2014**, and will instead force any such companies to create downstream businesses within Indonesia for processing. Companies that do not submit plans for compliance with the new rule will be forced to stop operations.
- **Upcoming policy meetings include Indonesia, which holds its monthly policy meeting tomorrow, Korea (Friday) and Singapore (Friday).** We expect Indonesia and Korea will keep policy rates on hold. We also expect the Monetary Authority of Singapore, which manages monetary policy through the exchange rate of the Singapore dollar, to keep its current appreciation path unchanged at around +1%.

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Calendar Indicators

Australia	Date	Period	Prior	Cons.	Actual
Employment Change	12-Apr	MAR	-15.4K	6.5K	--
Unemployment Rate	12-Apr	MAR	5.20%	5.30%	--
China	Date	Period	Prior	Cons.	Actual
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%	--
India	Date	Period	Prior	Cons.	Actual
Industrial Production YoY	12-Apr	FEB	6.80%	6.70%	--
Japan	Date	Period	Prior	Cons.	Actual
Current Account Total	09-Apr	FEB	¥437.3B	¥1120.0B	¥1177.8B
Machine Orders (MoM)	11-Apr	FEB	3.40%	-0.80%	4.80%
Malaysia	Date	Period	Prior	Cons.	Actual
Exports YoY%	10-Apr	FEB	0.40%	15.30%	14.50%
Industrial Production YoY	10-Apr	FEB	0.20%	5.00%	7.50%
Philippines	Date	Period	Prior	Cons.	Actual
Total Exports (YoY)	12-Apr	FEB	3.00%	1.70%	--
Singapore	Date	Period	Prior	Cons.	Actual
GDP (QoQ)	11-13 APR	1Q A	-2.50%	6.80%	--
GDP (YoY)	11-13 APR	1Q A	3.60%	1.00%	--
South Korea	Date	Period	Prior	Cons.	Actual
Unemployment Rate (SA)	12-Apr	MAR	3.70%	3.60%	--
Taiwan	Date	Period	Prior	Cons.	Actual
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 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.	2308.9	0.1	2.0	5.0	-23.6
	Hong Kong - Hang Seng	20140.7	-1.1	-2.0	9.3	-17.1
	Taiwan - Weighted	7656.7	0.2	-1.3	8.3	-13.8
	Japan - Nikkei 225	9458.7	-0.8	-3.7	11.9	-2.7
	Korea - Kospi	1994.4	-0.1	-2.7	9.2	-6.0
	India - Sensex 30	17187.3	-0.3	-1.7	11.2	-10.8
	Australia - SPX/ASX 200	4246.1	-1.1	-1.9	4.7	-14.6
	Singapore - Strait Times	2946.4	-1.2	-2.3	11.3	-6.8
	Indonesia - Jakarta Comp	4130.0	-0.5	-2.0	8.1	10.3
	Thailand - SET	1152.5	-1.1	-3.9	12.4	7.1
	Malaysia - KLCI	1597.2	0.4	-0.1	4.3	3.4
Philippines - Manila Comp.	5017.4	-0.1	-1.8	14.8	18.7	

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)	6.31	0.05	-0.18	6.33	6.34
	Hong Kong (HKD/USD)	7.77	-0.01	0.00	7.76	7.75
	Taiwan (TWD/USD)	29.5	0.02	-0.10	29.45	29.17
	Japan (JPY/USD)	80.87	-0.25	1.97	80.79	80.33
	Korea (KRW/USD)	1145	-0.42	-1.32	1152	1166
	India (INR/USD)	51.6	-0.16	-0.87	52.64	54.77
	Australia (USD/AUD)	1.03	0.32	0.14	0.98	1.01
	Singapore (SGD/USD)	1.26	0.22	-0.03	1.26	1.26
	Indonesia (IDR/USD)	9173	-0.05	-0.09	9294	9606
	Thailand (THB/USD)	30.9	0.19	0.29	31.09	31.52
	Malaysia (MYR/USD)	3.08	-0.17	-0.51	3.09	3.13
Philippines (PHP/USD)	42.7	0.17	0.30	43.01	43.36	

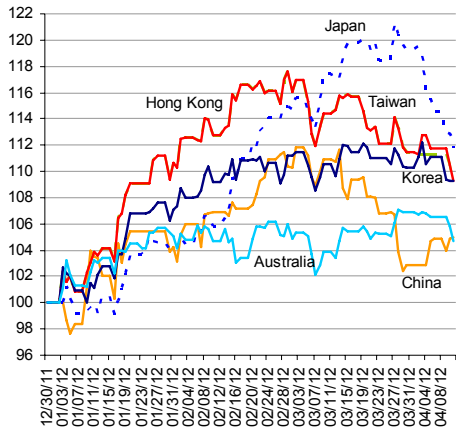
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INTERBANK RATES	INDEX	Rate	net change over a day	net change over a week	net change over a month
	China (SHIBOR/7D)	3.80	0.10	-0.30	0.80
	Hong Kong (HIBOR/1W)	0.11	0.00	0.00	0.00
	Taiwan (TAIBOR/1W)	0.65	0.00	0.00	0.00
	Japan (TIBOR/1Y)	0.76	0.00	0	0
	Korea (KORIBOR/1M)	3.38	0.00	0.00	0.00
	India (MIBOR/7D)	4.08	-0.02	0.37	1.11
	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)	3.69	0.06	-0.13	0.13

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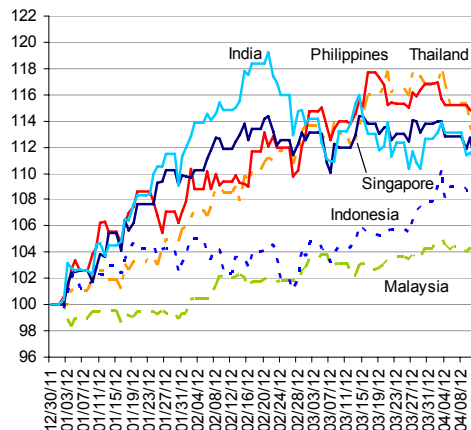
Charts

Chart 9
Stock Markets



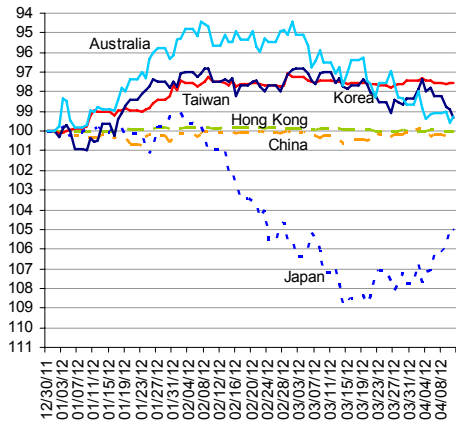
Source: BBVA Research and Bloomberg

Chart 10
Stock Markets



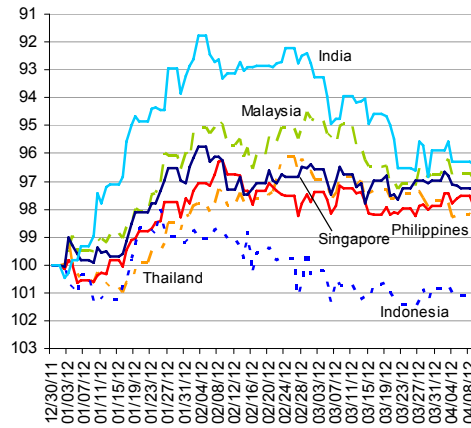
Source: BBVA Research and Bloomberg

Chart 11
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Chart 12
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

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