

Daily Flash

Asia

Today marked the first trading day for the RMB after the People's Bank of China (PBoC) widened the daily trading band to +/- 1.0% (see below). The currency finished the day at 6.315/USD (down 0.2%), falling along with most of Asia on growing concerns over the external environment. Elsewhere, the KOSPI retreated by 0.8% after the Bank of Korea revised down its 2012 GDP forecast to 3.5% (from 3.7% previously), while India's headline inflation remained steady at 6.9% y/y, resulting in the SENSEX gaining 0.3% on increasing prospects of a rate cut when the Reserve Bank of India holds its monthly policy meeting tomorrow.

Wider trading band unlikely to change RMB appreciation trend

On Saturday, the People's Bank of China (PBoC) announced a widening of the RMB's daily trading band against the USD to +/- 1.0%, from +/- 0.5%, effective from today (the PBoC sets a daily fixing for its exchange rate, and then allows the currency to fluctuate within the specified trading band). In addition, the PBoC also raised the bid-ask spread for USD used by foreign exchange-designated banks with their customers to 2%, from the current 1%. According to the PBoC's statement, the relaxation of the RMB trading band is an important effort that will "facilitate price discovery and enhance the flexibility of the RMB exchange rate." We expect that widening the RMB daily trading band will help deter "hot money" inflows because it will introduce higher volatility; however, we do not expect that it will change the RMB's long-term trend of appreciation. In this regard, we maintain our projection that the RMB will appreciate by 2- 3% by the end of this year.

India's WPI inflation holds steady in March on higher food prices

India's wholesale price inflation held steady in March, at 6.9% y/y from 7.0% the previous month (BBVA: 6.6%; consensus: 6.7%). On a seasonally adjusted basis, headline WPI increased by 0.7% m/m. Food inflation picked up for a second consecutive month (8.5% y/y vs 5.9% in February), while fuel prices rose by 10.4% y/y. The steady headline outturn contrasted with core inflation, which eased below 5% (4.6% y/y vs 5.7% previously), due to base effects and slowing demand-side pressures. In our view, a benign core inflation outturn, coupled with last week's lower-than-expected February industrial production reading, present a strong case for an interest rate cut at tomorrow's RBI policy meeting. We expect a cut of 25 bps (bringing the policy rate to 8.25%), in light of significant deceleration in investment activity, the moderation in core inflation, and given India's commitment towards fiscal consolidation as announced in the new Budget for 2012-13.

China: Policy meeting indicated upcoming loosening

On Friday, after the release of weaker-than-expected GDP growth (8.1% y/y) in the first quarter, China's State Council held its regular policy meeting to discuss its economic policies. The council released a statement of the meeting, which highlighted authorities' calls for further adjustments (loosening) in monetary policies given their awareness of present headwinds to domestic growth. In addition to taking measures to boost domestic consumption, the authorities indicated that they will also promote domestic investment, in an apparent direct response to the slowdown in investment that occurred in the beginning of 2012. However, the authorities also said they will continue to implement tightening measures in the property market.

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Calendar Indicators

China	Date	Period	Prior	Cons.	Actual
Actual FDI (YoY)	17-Apr	MAR	-0.90%	-13.60%	--
HSBC Flash China Manufacturing PMI	22-25 APR	APR	48.3	--	--
Hong Kong	Date	Period	Prior	Cons.	Actual
Unemployment Rate SA	19-Apr	MAR	3.40%	3.50%	--
India	Date	Period	Prior	Cons.	Actual
Monthly Wholesale Prices YoY%	16-Apr	MAR	6.95%	6.65%	6.89%
Japan	Date	Period	Prior	Cons.	Actual
Industrial Production (MoM)	17-Apr	FEB F	-1.20%	--	--
Industrial Production YOY%	17-Apr	FEB F	1.50%	--	--
Capacity Utilization (MoM)	17-Apr	FEB F	3.40%	--	--
Merchandise Trade Balance Total	19-Apr	MAR	¥32.9B	¥223.2B	--
Tertiary Industry Index (MoM)	20-Apr	FEB	-1.70%	0.70%	--
Malaysia	Date	Period	Prior	Cons.	Actual
CPI YoY	20-Apr	MAR	2.20%	2.10%	--
Philippines	Date	Period	Prior	Cons.	Actual
Overseas Remittances (YoY)	16-Apr	FEB	5.40%	--	5.80%
Singapore	Date	Period	Prior	Cons.	Actual
Non-oil Domestic Exports (YoY)	17-Apr	MAR	30.50%	7.10%	--
Taiwan	Date	Period	Prior	Cons.	Actual
Export Orders (YoY)	20-Apr	MAR	17.60%	-2.81%	--
Thailand	Date	Period	Prior	Cons.	Actual
Customs Exports (YoY)	17-19 APR	MAR	0.90%	-2.30%	--
Customs Imports (YoY)	17-19 APR	MAR	8.30%	3.50%	--

Calendar Events

India - India REPO cutoff yield, April 17

We expect a 25bps cut in the repo rate

Current	Consensus	New
8.50%	8.25%	--

Philippines - Overnight borrowing rate, April 19

We expected the overnight rate to remain unchanged

Current	Consensus	New
4.00%	4.00%	--

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.	2357.0	-0.1	3.1	7.2	-22.7
	Hong Kong - Hang Seng	20610.6	-0.4	0.1	11.8	-14.2
	Taiwan - Weighted	7729.9	-0.7	1.7	9.3	-11.3
	Japan - Nikkei 225	9470.6	-1.7	-0.8	12.0	-1.3
	Korea - Kospi	1992.6	-0.8	-1.8	9.1	-6.9
	India - Sensex 30	17151.0	0.3	-0.4	11.0	-11.5
	Australia - SPX/ASX 200	4302.3	-0.5	-0.4	6.1	-11.3
	Singapore - Strait Times	2992.1	0.1	1.1	13.1	-5.1
	Indonesia - Jakarta Comp	4146.6	-0.3	-0.2	8.5	11.2
	Thailand - SET	1169.5	1.3	-3.4	14.1	7.8
	Malaysia - KLCI	1597.5	-0.3	0.4	4.4	5.0
Philippines - Manila Comp.	5117.5	0.4	1.6	17.1	20.4	

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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	-0.20	-0.11	6.33	6.35
	Hong Kong (HKD/USD)	7.76	0.00	0.07	7.76	7.75
	Taiwan (TWD/USD)	29.5	-0.02	0.08	29.45	29.18
	Japan (JPY/USD)	80.77	0.20	0.89	80.69	80.23
	Korea (KRW/USD)	1139	-0.32	-0.03	1145	1158
	India (INR/USD)	51.6	-0.61	-0.92	52.63	54.78
	Australia (USD/AUD)	1.04	-0.09	0.47	0.97	1.00
	Singapore (SGD/USD)	1.25	-0.19	0.90	1.25	1.25
	Indonesia (IDR/USD)	9188	-0.12	-0.41	9273	9605
	Thailand (THB/USD)	30.8	-0.16	0.36	30.98	31.37
	Malaysia (MYR/USD)	3.07	-0.33	0.12	3.08	3.11
Philippines (PHP/USD)	42.8	-0.28	0.28	42.81	43.18	

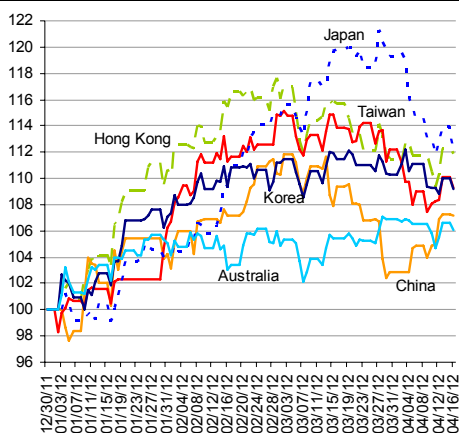
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INTERBANK RATES	INDEX	Rate	net change over a day	net change over a week	net change over a month
	China (SHIBOR/7D)	3.80	0.00	0.00	0.90
	Hong Kong (HIBOR/1W)	0.11	0.00	0.00	0.00
	Taiwan (TAIBOR/1W)	0.65	0.00	0.00	0.01
	Japan (TIBOR/1Y)	0.76	0.00	0	0
	Korea (KORIBOR/1M)	3.38	0.00	0.00	0.00
	India (MIBOR/7D)	4.31	0.56	0.27	1.41
	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	0.00
	Malaysia (KLIBOR/1W)	2.90	0.00	0.00	0.00
	Philippines (PHIBOR/1W)	3.69	0.00	-0.13	0.00

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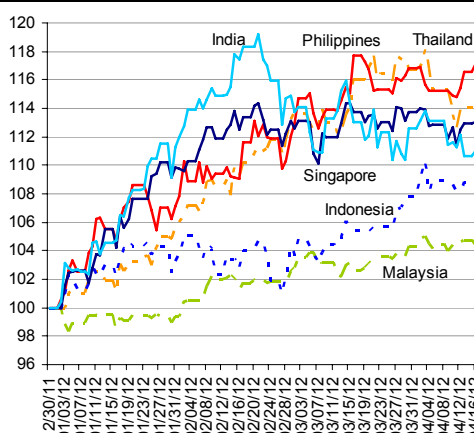
Charts

Chart 9
Stock Markets



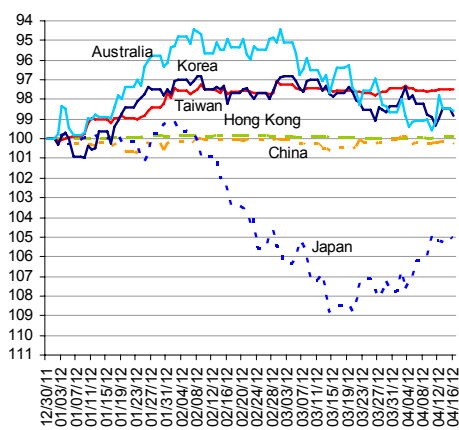
Source: BBVA Research and Bloomberg

Chart 10
Stock Markets



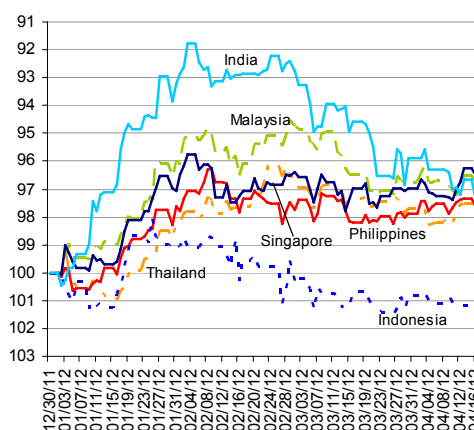
Source: BBVA Research and Bloomberg

Chart 11
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Chart 12
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

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