

Daily Flash

Asia

S&P provided a mild surprise today when it revised India's sovereign outlook downwards from stable to negative (see below), with the SENSEX responding by selling off shortly after the report was released, before finishing the day down only 0.2%. The rest of Asia was generally more positive, after better-than-expected earnings reports from the US lifted sentiment, with the Nikkei (+1.0%) and Shanghai (+0.8%) among the day's biggest advancers.

S&P revises India's outlook from stable to negative, re-affirms BBB- rating

Citing slowing growth prospects, widening twin deficits and rising external pressures, S&P revised its outlook on India today, from stable to negative. India's sovereign rating was re-affirmed at investment grade status (BBB-), however S&P also placed the odds of an eventual rating downgrade at 1-in-3. S&P expects that the Indian government will face headwinds in implementing policy measures owing to an unfavorable political environment. While S&P's actions were not completely unanticipated, the news resulted in selling pressure on the Indian rupee, which edged lower to 52.55/USD. Looking ahead, the focus will be on whether or not India's government takes actions to rein in the fiscal deficit while also implementing crucial investment reforms.

Briefly noted:

- **Tomorrow, South Korea will release its first quarter GDP growth figure.** The data outturn will be closely watched as it comes just 10 days after the Bank of Korea lowered its GDP growth forecast for this year from 3.7% to 3.5%, on concerns over weakening external demand and elevated oil prices. The GDP release will come one day after **South Korea reported an increase in consumer confidence rose in April**, as the index reached a one-year high of 104 due to slowing inflation (2.6% y/y) and an improving domestic economic environment.

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Calendar Indicators

Australia	Date	Period	Prior	Cons.	Actual
Producer Price Index (QoQ)	23-Apr	1Q	0.30%	0.40%	-0.30%
Producer Price Index (YoY)	23-Apr	1Q	2.90%	2.20%	1.40%
Consumer Prices (QoQ)	24-Apr	1Q	0.00%	0.60%	0.10%
Consumer Prices (YoY)	24-Apr	1Q	3.10%	2.20%	1.60%
China	Date	Period	Prior	Cons.	Actual
HSBC Flash China Manufacturing PMI	23-Apr	APR	48.3	--	49.1
Hong Kong	Date	Period	Prior	Cons.	Actual
CPI - Composite Index (YoY)	23-Apr	MAR	4.70%	4.90%	4.90%
Exports YoY%	24-Apr	MAR	14.00%	4.00%	-6.80%
Imports YoY%	24-Apr	MAR	20.80%	5.00%	-4.70%
Japan	Date	Period	Prior	Cons.	Actual
Machine Tool Orders (YoY)	25-Apr	MAR F	2.40%	--	1.60%
All Industry Activity Index (MoM)	26-Apr	FEB	-1.00%	-0.20%	--
Jobless Rate	27-Apr	MAR	4.50%	4.50%	--
Natl CPI YoY	27-Apr	MAR	0.30%	0.40%	--
Natl CPI Ex-Fresh Food YoY	27-Apr	MAR	0.10%	0.10%	--
Natl CPI Ex Food, Energy YoY	27-Apr	MAR	-0.60%	-0.50%	--
Industrial Production (MoM)	27-Apr	MAR P	-1.60%	2.30%	--
Industrial Production YOY%	27-Apr	MAR P	1.50%	15.60%	--
Singapore	Date	Period	Prior	Cons.	Actual
CPI (MOM) - NSA	23-Apr	MAR	-0.30%	0.30%	0.80%
CPI (YoY)	23-Apr	MAR	4.60%	4.70%	5.20%
Industrial Production MoM SA	26-Apr	MAR	-1.10%	-1.40%	--
Industrial Production YoY	26-Apr	MAR	12.10%	-5.80%	--
South Korea	Date	Period	Prior	Cons.	Actual
GDP (QoQ)	26-Apr	1Q P	0.30%	0.90%	--
GDP (YoY)	26-Apr	1Q P	3.30%	3.00%	--
Taiwan	Date	Period	Prior	Cons.	Actual
Industrial Production (YoY)	23-Apr	MAR	8.40%	-6.05%	-3.42%
Unemployment Rate - sa	23-Apr	MAR	4.15%	4.18%	4.14%
Thailand	Date	Period	Prior	Cons.	Actual
Customs Exports (YoY)	26-Apr	MAR	0.90%	0.10%	--
Customs Imports (YoY)	26-Apr	MAR	8.30%	6.30%	--
Foreign Reserves	27-Apr	20-Apr	\$178.6B	--	--
Vietnam	Date	Period	Prior	Cons.	Actual
CPI (YoY)	23-Apr	APR	14.20%	11.90%	10.50%
Exports YTD (YoY)	24-30 APR	APR	23.60%	--	--

Indicator of the Week

China: PMI for April (May 1)

Forecast: 53.9

Consensus: n/a

Prior: 53.1

The official manufacturing PMI prints continue to be closely watched for signs of the pace of China's economic slowdown. The reading for April will be no exception, following the weaker-than-expected Q1 GDP outturn of 8.1% y/y. This past week, a flash estimate for the private sector PMI (Markit) registered an upturn (to 49.1% from a 48.3 outturn in March), but still remains below the 50-threshold. In contrast, recent official PMI outturns have been rising, and remain above 50. We expect a slight pickup in the official PMI for April, partly due to seasonal effects, as well as a pickup in domestic demand from fiscal and monetary stimulus. A strong April outturn, if confirmed, would be evidence that growth momentum has bottomed out in Q1, adding to other positive indicators, such as strong credit growth in March.

Calendar Events

Japan - Bank of Japan target rate, April 27

We expect the target rate to remain unchanged

Current

0.10%

Consensus

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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.	2406.8	0.8	1.1	9.4	-18.8
	Hong Kong - Hang Seng	20646.3	-0.1	-0.6	12.0	-14.5
	Taiwan - Weighted	7563.2	0.9	-0.5	6.9	-15.5
	Japan - Nikkei 225	9561.0	1.0	-1.1	13.1	-1.1
	Korea - Kospi	1962.0	-0.1	-2.1	7.5	-11.5
	India - Sensex 30	17170.8	-0.2	-1.3	11.1	-12.3
	Australia - SPX/ASX 200	4360.4	0.2	1.7	7.5	-11.3
	Singapore - Strait Times	2979.8	0.2	-0.7	12.6	-6.5
	Indonesia - Jakarta Comp	4163.6	-0.2	-0.1	8.9	9.9
Thailand - SET	1201.4	0.1	2.9	17.2	8.7	
Malaysia - KLCI	1579.4	-0.2	-1.2	3.2	3.6	
Philippines - Manila Comp.	5204.8	0.7	0.4	19.1	20.2	

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)	6.30	0.06	-0.02	6.32	6.35
	Hong Kong (HKD/USD)	7.76	0.01	0.03	7.76	7.75
	Taiwan (TWD/USD)	29.5	0.06	0.13	29.39	29.11
	Japan (JPY/USD)	81.16	0.20	0.12	81.09	80.65
	Korea (KRW/USD)	1141	-0.05	-0.36	1146	1159
	India (INR/USD)	52.5	0.30	-1.44	53.72	55.83
	Australia (USD/AUD)	1.03	0.25	-0.17	0.98	1.00
	Singapore (SGD/USD)	1.24	0.16	0.54	1.24	1.24
	Indonesia (IDR/USD)	9199	0.00	-0.22	9296	9631
Thailand (THB/USD)	31.0	-0.10	-0.32	31.11	31.54	
Malaysia (MYR/USD)	3.06	0.08	0.15	3.08	3.11	
Philippines (PHP/USD)	42.7	0.16	-0.09	42.88	43.30	

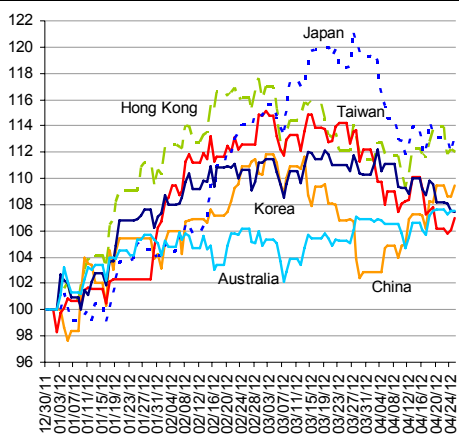
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INTERBANK RATES	INDEX	Rate	net change over a day	net change over a week	net change over a month
	China (SHIBOR/7D)	3.90	0.09	-0.10	0.73
	Hong Kong (HIBOR/1W)	0.11	0.00	0.00	0.00
	Taiwan (TAIBOR/1W)	0.66	0.00	0.00	0.01
	Japan (TIBOR/1Y)	0.76	0.00	0	0
	Korea (KORIBOR/1M)	3.38	0.00	0.00	0.00
	India (MIBOR/7D)	3.98	0.03	-0.02	0.99
	Singapore (SIBOR/1W)	0.25	0.00	0.00	0.00
	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	0.13	0.00	0.13	

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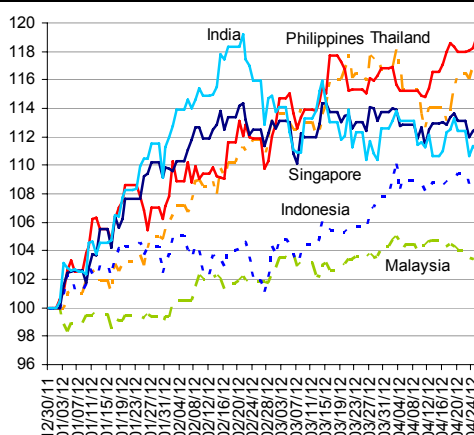
Charts

Chart 9
Stock Markets



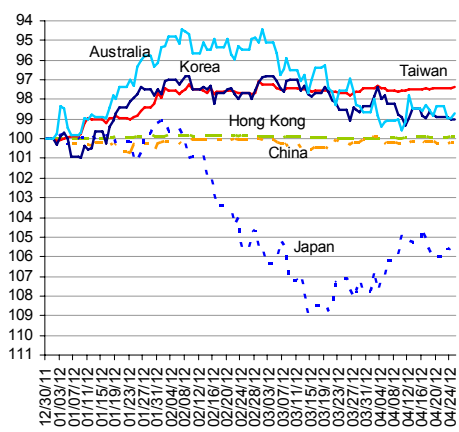
Source: BBVA Research and Bloomberg

Chart 10
Stock Markets



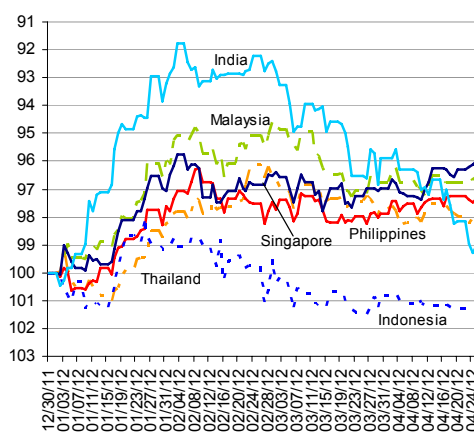
Source: BBVA Research and Bloomberg

Chart 11
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Chart 12
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

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