

Daily Flash

Asia

The Bank of Japan announced more quantitative easing today, as expected, marking the second time it has done so since its initial decision in February to target 1% inflation this year. Elsewhere, the IMF released its semi-annual Regional Economic Outlook for Asia Pacific, and among the highlights was its statement that regional authorities may need to prepare to tighten monetary policies, due to an improving outlook and rising inflation expectations. Markets in Asia were rather subdued as fears over the external environment continue to weigh on sentiment.

Japan adds stimulus, despite improving economy

Today, the Bank of Japan increased the size of its asset purchasing and loan program by a net 5 trillion yen (US\$62 billion) to 70 trillion yen, while keeping its key policy rate unchanged at 0-0.1%. This marks the second round of QE since the BoJ announced its 1% inflation target in February. Also today, Japan released a batch of economic data which shows an improving economy. Retail sales increased by a better-than-expected 10.3% y/y (consensus: 9.8%), while industrial production rose 1.0% sa (consensus: 2.4%) and core inflation edged up 0.2% (consensus: 0.1%).

IMF says Asia central banks may need to raise rates

The IMF released its Regional Economic Outlook for Asia Pacific today, highlighting robust domestic demand and an expected growth rebound in the later part of the year. According to the IMF, these signs of positive growth momentum, along with rising inflation, should cause policymakers to prepare to 'shift gears' towards a tightening bias. That said, the IMF also highlighted significant risks to the outlook given the fragility of the current global environment, along with the potential impact that deleveraging by European banks may have on the region.

Briefly noted:

- **Korea's current account surplus rose to a four-month high** (US\$3.0 billion) in March as a result of strengthening auto and petrochemical exports. This follows yesterday's first quarter GDP outturn that showed improved momentum from the previous quarter (0.9% q/q, from 0.3% in 4Q11), suggesting a bottoming out may be occurring in Korea.
- **Thailand's IP in March was lower than expected** (-3.2% y/y vs consensus -0.6% y/y), although according to data by the Office of Industrial Economics (OIE), the manufacturing sector is recovering quickly from the floods and raised its forecast for industrial output growth this year from 6.0% to 6-7%.
- **Next Monday, Taiwan will publish its Q1 2012 GDP preliminary figures**, with consensus pointing to a continued slowdown (0.9%). South Korea's industrial output in March will also be released.

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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%	-0.10%
Jobless Rate	27-Apr	MAR	4.50%	4.50%	4.50%
Natl CPI YoY	27-Apr	MAR	0.30%	0.40%	0.50%
Natl CPI Ex-Fresh Food YoY	27-Apr	MAR	0.10%	0.10%	0.20%
Natl CPI Ex Food, Energy YoY	27-Apr	MAR	-0.60%	-0.50%	-0.50%
Industrial Production (MoM)	27-Apr	MAR P	-1.60%	2.30%	1.00%
Industrial Production YOY%	27-Apr	MAR P	1.50%	15.60%	13.90%
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%	2.70%
Industrial Production YoY	26-Apr	MAR	12.10%	-5.80%	-3.40%
South Korea	Date	Period	Prior	Cons.	Actual
GDP (QoQ)	26-Apr	1Q P	0.30%	0.90%	0.90%
GDP (YoY)	26-Apr	1Q P	3.30%	3.00%	2.80%
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%	0.50%	-6.50%
Customs Imports (YoY)	26-Apr	MAR	8.30%	5.80%	25.60%
Foreign Reserves	27-Apr	20-Apr	\$178.6B	--	\$178.7B
Vietnam	Date	Period	Prior	Cons.	Actual
CPI (YoY)	23-Apr	APR	14.20%	11.90%	10.50%
Exports YTD (YoY)	24-Apr	APR	23.60%	--	22.10%

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 expected the target rate to remain unchanged

Current

0.10%

Consensus

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New

0.10%

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.	2396.3	-0.3	-0.4	9.0	-18.1
	Hong Kong - Hang Seng	20741.5	-0.3	-1.3	12.5	-13.2
	Taiwan - Weighted	7480.5	-0.5	-0.4	5.8	-17.3
	Japan - Nikkei 225	9520.9	-0.4	-0.4	12.6	-1.8
	Korea - Kospi	1975.4	0.6	0.0	8.2	-10.5
	India - Sensex 30	17064.2	-0.4	-1.8	10.4	-12.3
	Australia - SPX/ASX 200	4362.1	-0.3	0.0	7.5	-10.5
	Singapore - Strait Times	2978.8	-0.1	-0.5	12.6	-6.4
	Indonesia - Jakarta Comp	4164.0	-0.4	-0.4	8.9	9.4
	Thailand - SET	1208.4	-0.1	1.2	17.9	9.7
	Malaysia - KLCI	1567.8	-0.8	-1.5	2.4	2.5
Philippines - Manila Comp.	5169.1	-1.0	0.2	18.2	19.6	

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	-0.07	-0.02	6.32	6.35
	Hong Kong (HKD/USD)	7.76	0.00	0.01	7.76	7.75
	Taiwan (TWD/USD)	29.3	0.25	0.70	29.13	28.83
	Japan (JPY/USD)	80.64	0.43	1.09	80.56	80.13
	Korea (KRW/USD)	1135	0.11	0.39	1140	1154
	India (INR/USD)	52.6	-0.12	-1.01	53.73	55.97
	Australia (USD/AUD)	1.04	0.09	0.18	0.97	1.00
	Singapore (SGD/USD)	1.24	0.01	0.62	1.24	1.24
	Indonesia (IDR/USD)	9189	0.03	-0.05	9265	9595
	Thailand (THB/USD)	30.8	0.23	0.42	30.95	31.36
	Malaysia (MYR/USD)	3.05	0.13	0.58	3.06	3.10
Philippines (PHP/USD)	42.3	0.36	0.69	42.70	43.07	

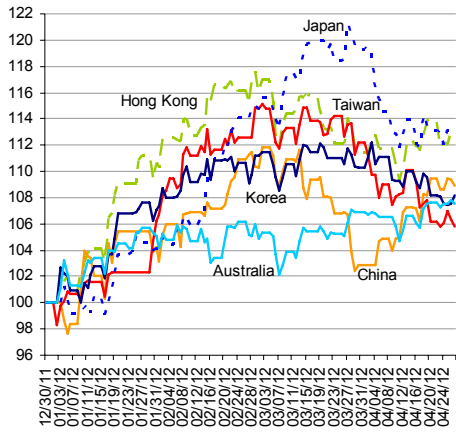
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INTERBANK RATES	INDEX	Rate	net change over a day	net change over a week	net change over a month
	China (SHIBOR/7D)	3.87	-0.11	-0.13	0.67
	Hong Kong (HIBOR/1W)	0.11	0.00	0.00	0.00
	Taiwan (TAIBOR/1W)	0.66	0.00	0.01	0.02
	Japan (TIBOR/1Y)	0.76	0.00	0	0
	Korea (KORIBOR/1M)	3.38	0.00	0.00	0.00
	India (MIBOR/7D)	3.88	-0.09	-0.18	-0.17
	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)	3.38	-0.25	-0.38	0.06

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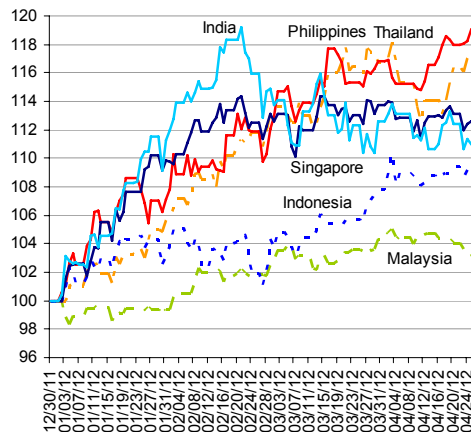
Charts

Chart 9
Stock Markets



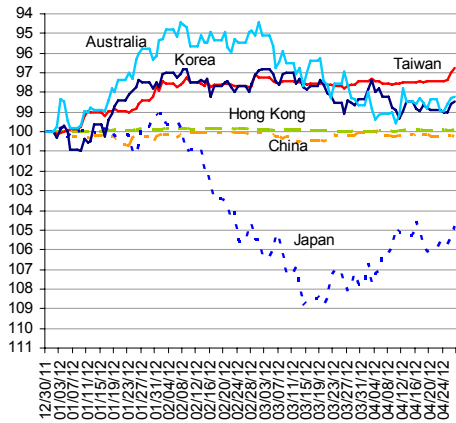
Source: BBVA Research and Bloomberg

Chart 10
Stock Markets



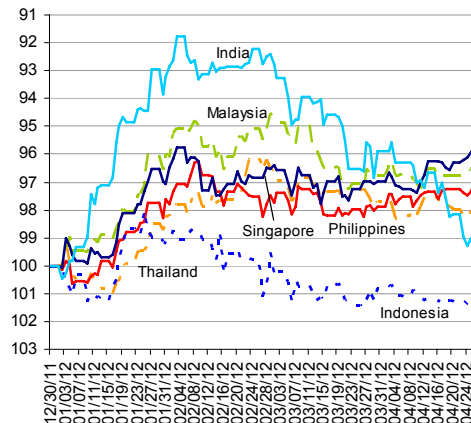
Source: BBVA Research and Bloomberg

Chart 11
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Chart 12
Foreign Exchange Markets



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