

Tuesday, 4 November 2008

Asian Markets

Foreign Exchange Rates (as at 3 November 2008)

	As at 4 Nov	Asian High	Asian Low	NY High	NY Low
SGD	1.4800	1.4801	1.4647	1.4815	1.4678
MYR	3.5270	3,5460	3,5050	-	-
IDR	10,900	10,900	10,650	-	-
THB	34.90	35.03	34.90	-	-
PHP	48.35	-	-	-	-
TWD	32.810	33.050	32.766	-	-
KRW	1268.90	-	-	-	-
HKD	7.7502	7.7520	7.7506	7.7520	7.7500
CNY	6.8335	6.8407	6.8295	-	-

UOB's Estimation of SGD NEER (as at 4 November 2008)

Assuming 2.5% on each side of the pivot point:

Lower-End	1.5267
Upper-End	1.4522
Mid-Point	1.4895

Interest Rates

	Current	Next CB Meet	UOB's Forecast
SGD 3-Mth SIBOR	1.24%	-	-
MYR O/N Policy Rate	3.50%	24 Nov	3.50%
IDR O/N Rate	9.50%	06 Nov	9.50%
THB 1-Day Repo	3.75%	03 Dec	3.75%
PHP O/N Reverse Repo	6.00%	20 Nov	6.00%
TWD Discount Rate	3.00%	-	2.75%
KRW Base Rate	4.25%	7 Nov	4.25%
HKD Base Rate	1.50%	-	1.50%
CNY 1-Yr Wking Capital	6.66%	-	6.39%

Stock Indices (as at 3 November 2008)

	Closing	% chg
Singapore Straits Times	1883.75	+4.99
Kuala Lumpur Composite	899.35	+4.14
Jakarta Composite	1352.72	+7.64
Bangkok SET	449.19	+7.84
Philippines Composite	2025.58	+3.82
Taiwan TAIEX	4995.06	+2.55
Seoul Composite	1129.08	+1.44
Hong Kong Hang Seng	14344.37	+2.69
Shanghai SE Composite IX	1719.77	-0.52
Mumbai Sensex 30	10337.68	+5.62

Key Events

Date	Event
06/11	BI Meeting
07/11	BoK Meeting
20/11	BSP Meeting

News Highlights

- Risky assets remained in play on Mon as sentiment stayed positive** on fiscal stimulus plans and a slew of interest rate decisions this week. Fading risk aversion saw JPY down 0.7% to 99.14/USD late Mon. Earlier in Asian session on Mon, KRW led the Asian currencies, rising 2.3% on Mon to end at 1262/USD, boosted by govt's announcement of a US\$11bn fiscal stimulus plan. PHP ended 0.9% firmer at 48.49/USD vs. 48.94 on Fri after concerted moves by banks to cut their overbought positions in USD. MYR rose 0.7% to 3.5232/USD vs. 3.5490 last Fri. THB gained 0.4% to 34.93/USD vs. 35.08 on Fri. IDR continued to struggle at around the 11000 level, but was 0.5% firmer vs. 11050 last Fri. TWD edged up 0.3% at 32.898/USD vs. 33.00 on Fri as China and Taiwan began its week-long historic negotiations.
- Data releases from Indonesia, South Korea, and Thailand on Mon reaffirm the trend of** slowing external demand and rapid declines in inflation rates, opening doors for more central bank rate cuts ahead. For today, Singapore PMI is expected while investors await outcome of US presidential elections which would keep trading mood subdued but would render some support to Asian currencies and equity prices.
- SGD tracked firmer regional currencies**, advancing 0.3% to 1.4786/USD late Mon vs. 1.4836 on Fri. SGD is expected to continue to look for external developments for direction but should stay relatively steady given improved market sentiment. SGD NEER index hovered around 0.53% above the midpoint this morning, above the 0.3% level yesterday morning as JPY and EUR weakened against the USD. With trading likely to stay steady ahead of US presidential elections, the trade-weighted S\$ index is seen remaining inside the 0.0-1.0% band, which implies a USD/SGD range of 1.473-1.487 for now, vs. spot of around 1.48.
- RMB ended flat at 6.8381/USD vs. 6.8395 on Fri**, as the PBoC continued to signal a stable currency with the RMB midpoint, which was set at 6.8288/USD, slightly weaker than the midpoint of 6.8258 fixed on Fri. Offshore 1Y NDF pared back its expectations on the RMB depreciation rate to 1.7% late Mon, down from 2.52% implied on Fri. This morning, the RMB central parity was set marginally firmer at 6.8261/USD vs. 6.8288 on Tue morning.

- **Asian equity markets on Mon started the week and November extending gains** late last month. Japan's financial markets were closed for a public holiday and will resume today. Hang Seng ended 2.7% higher at 14344.37. Shanghai Composite fell 0.5% at 1719.77 in thin trade despite a policy boost to banks and property developers. Taix rose 2.55%, for its third consecutive session of gains, on hopes that a historic bilateral meeting between Taipei and Beijing will improve further cross-Strait relations. Kospi gained 1.4% to end at 1129.08 amid announcement of a fiscal stimulus plan. In the region, STI rose 5% and Jakarta Composite surged 7.3% as expectations of a rate cut built, and Australian markets added 5.1% in a late rally. Thailand surged 7.84% as fears eased over the country's political future.
- **In overnight session, US stocks seesawed through Monday** and ended mostly lower, as lack of catalysts and the upcoming presidential election sidelined investors. The Dow lost 5pts to end at 9,319.83 and the S&P500 index slipped 0.3% or 2.44pts to 966.31, but Nasdaq gained 0.3%. This morning, Nikkei 225 reopened after a holiday, with the index up 322pts or 3.77% to 8899.92 at 8:14am.
- **In a move to tighten capital controls and prevent capital outflows**, China's forex regulator SAFE announced on Mon that starting 15 Nov mainland companies are required to register their claims to debt owed under imports and exports trade.
- **HK retail sales volume in Sep rose just 1.8%/y/y**, below consensus forecast of 3% and the 3.9% pace in Aug, hit by the equity market turmoil and slowing tourist arrivals.
- **China's top negotiator for Taiwan Chen Yunlin and his team** began historic negotiations with Taiwan in Taipei on Mon, raising hopes of further warming of ties between the two sides.
- **South Korea early Monday proposed a fiscal stimulus plan** of tax cuts and new government spending amounting to KRW14tn (US\$11bn), for next year to help cope with the likelihood of slower economic growth. Of the total, KRW11tn will come from new spending and KRW3tn will come from tax cuts.
- **South Korea's export growth in Oct fell** to a 13-month low of 10.0%/y/y, below market forecast of 12.5% and less than half of 28.2% pace in Sep.
- **South Korean consumer prices in Oct rose** 4.8%/y/y, easing from a 5.1% rise in Sep and 5.9% in July, which was the biggest annual rise in 10 years.
- **Thailand's inflation rate fell for the third month in Oct**, to 10-month low of 3.9%/y/y, more than one percentage point below market forecast of 5% and below the 6% pace in Sep. The latest figure has left room for BoT to lower interest rate at its next meeting on 3 Dec.
- **Indonesia's trade surplus rose** to US\$1.02bn in Sep vs. US\$640mn in Aug.
- **Indonesia's inflation eased to 11.77%/y/y in Oct on lower food and fuel price pressure**, below market forecast of 11.85% and the 12.14% rate in Sep. However, Bank Indonesia is still expected to keep rates on hold this Thur to lend support to the IDR, which is down about 15% YTD against the USD.
- **Vietnam's central bank SBV on Mon announced it will cut its base rate** from 14% to 12%, effective 5 Nov.

Key Data/Events Ahead in Asia

After a brutal month for financial markets in Oct, economic data watch is back this week. US jobs report will be the focus this Friday and Asia data cycle begins for the month, with Oct exports data out from KR (Mon) and TW (Thur) to reaffirm downtrend in external demand, while Oct CPI from ID, KR, and TH (Mon), and PH (Wed) should continue show inflation a secondary issue in Asia. This means that monetary policy risk is biased towards easing at MPC meetings of BI (Thur) and BoK (Fri). ECB and BoE decisions are both due Thur, with rate cuts baked in. US presidential election is slated for Tue, with opinion polls showing Obama in the lead.

Tues 4 Nov

China-Taiwan High Level negotiations, Taipei (3-7 Nov);
US Presidential Elections
RBA interest rate decision;
SG PMI Oct (Sep: 49.5);
SG electronics PMI Oct (Sep: 53);

Wed 5 Nov

China-Taiwan High Level negotiations, Taipei (3-7 Nov);
MY exports Sep (Aug: 10.6%/y/y);
PH CPI Oct (mkt: 11.3%/y/y; Sep: 11.9%);
TW CPI Oct (Sep: 3.09%/y/y);

Thur 6 Nov

China-Taiwan High Level negotiations, Taipei (3-7 Nov);
ECB interest rate decision;
BoE interest rate decision;
ID BI interest rate decision (mkt: no change at 9.25%);

Fri 7 Nov

China-Taiwan High Level negotiations, Taipei (3-7 Nov);
US Oct nonfarm payrolls (mkt: -200k; Sep: -159k);
KR BoK interest rate decision;
TW exports Oct (Sep: -1.5%/y/y);

Sat 8 Nov

G20 FinMin meeting Sao Paolo (to 9 Nov), ahead of 15 Nov G20 Summit, Washington.

Economic Indicators

Local Time	Indicators	Mth	Actual	UOB Forecast	Mkt Forecast	Previous
<u>03/11</u>						
-	HK Purchasing Manager Index	Oct	43.1	-	-	46.7
0500	SK Ext Trade - Export y/y	Oct P	10.0	-	12.5	28.2%
0500	SK Ext Trade - Import y/y	Oct P	12.0	-	16.5	45.8%
1230	SK Consumer Price Index m/m	Oct	-0.1	-	-0.1	0.1%
1230	SK Consumer Price Index y/y	Oct	4.8	-	4.8	5.1%
1530	TH Consumer Price Index y/y	Oct	3.9	-	4.9	6.0%
1530	TH Consumer Price Index m/m	Oct	-1.2	-	-0.3	0.2%
1530	TH Core CPI y/y	Oct	2.4	-	2.3	2.6%
1630	HK Retail Sales - Volume y/y	Sep	1.8	-	3.0	3.7%
<u>04/11</u>						
0500	SK Foreign Exchange Reserve USD	Oct		-	-212.25	239.67b
2130	SG Purchasing Managers Index	Oct		-	48.3	49.5
<u>05/11</u>						
1201	MA Exports y/y	Sep		-	7.7	10.6%
1201	MA Imports y/y	Sep		-	6.0	4.2%
1201	MA Trade Bal	Sep		-	12.0	12.65b
1230	SK Retail Sales y/y	Sep		-	-	10.5%
1600	TW CP y/y	Oct		-	1.3	3.09%
1600	TW WPI y/y	Oct		-	-	6.64%
1620	TW Foreign Exchange Reserves - US\$b	Oct		-	-	281.13
<u>07/11</u>						
0900	KRW Base Rate	Nov		4.25	4.00	4.25%
1530	TH Foreign Reserve	Oct 31		-	-	103.0
1600	TW Exports y/y	Oct		-	-2.9	-1.6%
1600	TW Imports y/y	Oct		-	7.9	10.4%
1600	TW Trade Bal	Oct		-	1.5	0.81b
1700	HK Foreign Currency Reserves	Oct		-	-	160.6b
1700	MA Foreign Reserves	Oct 31		-	-	-107.58b
1700	SG Foreign Reserves	Oct		-	-	-168.8b

Jimmy Koh
(65) 6539 3545
Jimmy.KohCT@UOBgroup.com

Suan Teck Kin, CFA
(65) 6539 3922
Suan.TeckKin@UOBgroup.com

Ho Woei Chen
(65) 6539 3948
Ho.WoeiChen@UOBgroup.com

Disclaimer: This analysis is based on information available to the public. Although the information contained herein is believed to be reliable, UOB Group makes no representation as to the accuracy or completeness. Also, opinions and predictions contained herein reflect our opinion as of date of the analysis and are subject to change without notice. UOB Group may have positions in, and may effect transactions in, currencies and financial products mentioned herein. Prior to entering into any proposed transaction, without reliance upon UOB Group or its affiliates, the reader should determine, the economic risks and merits, as well as the legal, tax and accounting characterizations and consequences, of the transaction and that able to assume these risks. This document and its contents are proprietary information and products of UOB Group and may not be reproduced or otherwise.

URL: www.uobgroup.com/research
Email: EcoTreasury.Research@UOBgroup.com