

Wednesday, 5 November 2008

Asian Markets

Foreign Exchange Rates (as at 4 November 2008)

	As at 5 Nov	Asian High	Asian Low	NY High	NY Low
SGD	1.4714	1.4875	1.4790	1.4812	1.4708
MYR	3.5135	3,5440	3,5240	-	-
IDR	10,850	11,125	10,750	-	-
THB	34.87	35.03	34.85	-	-
PHP	48.37	48.89	48.41	-	-
TWD	32.810	32.982	32.811	-	-
KRW	1268.00	1300.00	1260.00	-	-
HKD	7.7503	7.7506	7.7501	7.7512	7.7500
CNY	6.8335	6.8401	6.8319	-	-

UOB's Estimation of SGD NEER (as at 5 November 2008)

Assuming 2.5% on each side of the pivot point:

Lower-End	1.5211
Upper-End	1.4469
Mid-Point	1.4840

Interest Rates

	Current	Next CB Meet	UOB's Forecast
SGD 3-Mth SIBOR	1.21%	-	-
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 4 November 2008)

	Closing	% chg
Singapore Straits Times	1829.69	-2.87
Kuala Lumpur Composite	905.58	+0.69
Jakarta Composite	1369.79	+1.26
Bangkok SET	457.62	+1.88
Philippines Composite	2003.04	-1.11
Taiwan TAIEX	4992.63	-0.05
Seoul Composite	1153.35	+2.14
Hong Kong Hang Seng	14384.34	+0.28
Shanghai SE Composite IX	1706.70	-0.76
Mumbai Sensex 30	10631.12	+2.84

Key Events

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

News Highlights

- **Asian currencies were generally firmer against the USD in early trade on Tue** ahead of the US presidential elections. Risk appetite continued to improve and saw most majors strengthening against the USD overnight and a surge on Wall St. Concerted central bank actions this week and various govt stimulus plans are likely to sustain the momentum and support Asian currencies for now. Inflation data from PH and TW should further reaffirm price downtrend in Asia and point further policy bias ahead for Asian CBs. RBA's surprisingly aggressively rate cut of 75bps on Tue also reflects willingness of policymakers around the world to boost growth.
- **Overnight, JPY slipped 0.6% to 99.70/USD** but was intraday low of 100.56, the weakest in nine sessions. Earlier in Asian trading, PHP ended 0.2% higher at 48.41/USD vs. 48.49 on Mon as banks adjust their USD positions after agreeing to improve dollar liquidity. IDR gained 0.7% to 10925/USD on Tue from 11000 with market expecting BI to keep interest rate expected unchanged on Thur. MYR was 0.3% weaker at 3.5327USD on Tue vs. 3.5232 on Mon. TWD ended higher on Tue as a visit by China's top Taiwan negotiator helped boost sentiment, ending at 32.869/USD, slightly up from Monday's close of 32.898. KRW fell 2% at 1,288.25/USD as the rising cost of dollar funding in the local swaps market dented the outlook for the local currency.
- **SGD rose 0.2% to 1.4755/USD late Tue** from 1.4786 on Mon, riding on the wave of overnight USD selling in major currencies ahead of the US presidential elections. Trading in the local pair remained volatile like other major currency pairs, with an intraday USD/SGD range of 1.4708-1.4875. The swings in other majors, such as EUR's intraday range of 1.2527-1.3049, were attributed to thin trading and "lack of traders", Dow Jones reported on Tue. SGD NEER advanced further this morning to 0.8% above the midpoint vs. 0.5% on Tue morning, amidst exaggerated moves in the underlying. With the MAS neutral policy remaining in place, SGD NEER for now should be capped near 1% above the midpoint, which implies SGD upside at 1.4681 and downside at 1.4828, near the midpoint of the SGD trade-weighted index.
- **RMB closed marginally higher on Tue, at 6.8360/USD** from Monday's close of 6.8381, after the RMB central parity was set firmer at 6.8261/USD, slightly stronger than Monday's

rate of 6.8288. The local unit was also helped by PBoC's increased vigilance on capital controls, with the latest being tighter rules on corporate claims to debt owed under overseas import and export trade. Offshore NDF prices continued to pare back expectations of RMB depreciation, with Tue prices implying depreciation of 1.23% against the USD over the next 12 months, vs. the implied 1.70% on Monday. Given overnight USD weakness, this morning, the RMB central parity advanced further to 6.8240/USD, up from 6.8261 on Tue morning.

- **Asian equity markets ended mixed on Tue** as investors took profits ahead of the US elections and key US data later this week. Nikkei 225 climbed 537.62 points, or 6.27%, to 9,114.60, above the key psychological 9000 level. Hang Seng struggled to move up 39.97, or 0.28%, to close at 14,384.34 on Tuesday amid great volatility. Shanghai Composite fell 13.07 or 0.76% at 1,706.70 points on Tuesday, the lowest level in 25 months. Taiex edged down 2.43, or 0.05% to close at 4,992.63 on Tuesday with thinner traded volume. Kospi rallied for the 4th consecutive session, ended up 2.15% at 1,153.35 on Mon, as buyers continued to emerge after Monday's announcement of a US\$11bn fiscal stimulus plan. Elsewhere in the region, STI fell 54.06 or 2.9% to 1,829.69 on Tue, with overall volume of 2.03bn shares, and Phil index fell 22.54 points or 1.1% to 2,003.04. KLCI edged up 6.23 points, or 0.69% to close at 905.58, SET index moved up 8.43 points, or 1.88% to close at 457.62 on Tue and JCI gained 17 points, or 1.26% to close at 1,370.
- **Overnight, US markets staged an election rally on Tue**, with the Dow gaining over 300 points, or 3.3% to end at 9,625.28. S&P500 jumped 39.44 points, or 4.1%, to 1,005.74, for its first close above 1,000 since Oct. 13. Nasdaq Composite added 53.79 points, or 3.1%, to 1,780.12. This morning, Nikkei 225 opened up 2.5% or 229pts to 9343.95 at 8:13am.
- **Taiwan and China officials on Tue agreed** on daily direct flights, new cargo routes and food safety. The two sides also agreed to begin direct air and sea cargo shipments, open postal links and notify each other quickly of any food safety issues following China's tainted milk powder scandal.
- **HK property transactions in Oct fell 54%y/y** to 6054 cases, and value of transactions fell 63%y/y to HK\$18.9bn.
- **Finance ministers from South Korea and China have agreed in principle** to expand the existing currency swap arrangement in order to better cope with the global financial crisis, and will finalized by late Nov, South Korea's vice finance minister Kim Dong-soo said on Tue.
- **South Korea's foreign currency reserves tumbled in Oct** by the largest amount ever, the Bank of Korea said Tuesday, as authorities dipped into the pool of cash to battle the effects of the global credit crisis. The reserves fell 11.4% to US\$212.25bn end-Oct, down from US\$239.67bn end-Sep. The decline of US\$27.4bn was the biggest for a single month and the largest percentage drop since the 16.4% drop in December 1997 during the Asian financial crisis.
- **Malaysia govt on Tue cut its 2009 economic growth forecast** to 3.5% from 5.4% previously and raised its budget deficit forecast to 4.8% of GDP from 3.6%, as it announced a RM7bn stimulus package to deal with the fallout from the global economic meltdown.

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.

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>04/11</u>						
0500	SK Foreign Exchange Reserve USD	Oct	212.25	-	-	239.67b
2130	SG Purchasing Managers Index	Oct	45.8	-	48.3	49.5
<u>05/11</u>						
0900	PH CPI y/y	Oct		-	11.4	11.9%
0900	PH CPI m/m	Oct		-	-0.3	-0.4%
1201	MA Exports y/y	Sep		-	6.6	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		-	-4.2	-1.6%
1600	TW Imports y/y	Oct		-	7.8	10.4%
1600	TW Trade Bal	Oct		-	0.81	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

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