

Asian Markets

Friday, 08 February 2013

Key Event Ahead

- For today, releases of China's CPI (130pm) and trade (time of release unknown) reports for Jan will be the key focus, although seasonal effects of Lunar New Year could cause distortions in the readings and base effect, and it may be advisable combine both January and February data to have a better read for 1Q growth momentum. Nevertheless, inflationary pressures are expected to ease to 2%/y from 2.5% in Dec while exports are expected to rise 17.7%/y following the surprisingly strong 14.1% reading in Dec. Elsewhere, Malaysia's industrial output and trade reports for Dec will be out at noon.
- Today, Taiwan stock and bond markets closed but FX is open. Markets holiday scheduled next week:
 - ➔ China: week long
 - ➔ Taiwan: week long
 - ➔ Vietnam: week long
 - ➔ HK: Mon-Wed
 - ➔ MY: Mon-Tue
 - ➔ SG: Mon-Tue
 - ➔ South Korea: Mon
 - ➔ Japan: Mon
- Gong Xi Fa Cai and wishing you abundance of wealth and health in the Year of the Snake!

Forex

- **USD/Asians were subdued on Thur ahead of the ECB and BOE decisions late in evening** as well as the Lunar New Year holidays ahead, while the weak Japanese yen policy elevated risks of FX interventions to curb excessive moves in local currencies. Key to watch today is China data releases at 130pm and in the absence of negative surprises, today's session looks to be quiet as investors head into Chinese New Year holidays. In Thursday's session, KRW ended little changed to 1,088.30/USD vs. 1088.10 on Wed, after falling as much as 0.3% intraday to 1091.30. TWD was marginally lower at 29.630/USD late Thur from 29.622 on Wed, with the central bank spotted selling TWD during the day to curb its strength. PHP edged up late Thur at 40.635/USD from 40.655 Wed, tracking gains in the EUR. THB was flat at 29.77/USD, while MYR firmed

Foreign Exchange Rates (as of 07 Feb 2013)					
FX	Asian Close	Asian High	Asian Low	NY High	NY Low
SGD	1.2385	1.2398	1.2382	1.2407	1.2366
MYR	-	-	-	-	-
IDR	-	-	-	-	-
THB	29.77	29.78	29.75	-	-
PHP	40.63	40.72	40.63	-	-
TWD	29.622	29.622	29.476	-	-
KRW	1088.30	1091.30	1087.10	-	-
HKD	7.7550	7.7551	7.7537	-	-
CNY	-	-	-	-	-

UOB's Estimation of SGD NEER (as of 08 Feb 2013) Assuming 2.0% on each side of the pivot point	
Lower-End	1.2652
Upper-End	1.2156
Mid-Point	1.2399

Market Holiday	Date	Event
SG/MY	11-12 Feb	Chinese New Year
HK	11-13 Feb	Chinese New Year
CN/TW	11-15 Feb	Chinese New Year

Interest Rates	Current	Next CB Meet	UOB's Forecast
SGD 3-Mth SIBOR	0.38%	-	-
MYR O/N Policy Rate	3.00%	07 Mar	3.00%
IDR O/N Rate	5.75%	12 Feb	5.75%
THB 1-Day Repo	2.75%	20 Feb	2.75%
PHP O/N Reverse Repo	3.50%	14 Mar	3.50%
TWD Discount Rate	1.88%	21 Mar	1.88%
KRW Base Rate	2.75%	14 Feb	2.75%
HKD Base Rate	0.50%	-	0.50%
CNY 1-Yr Wking Capital	6.00%	-	6.00%

Stock Indices (as of 07 Feb 2013)	Closing	% chg	ytd % chg
FTSE Straits Times Index	3261.77	-0.45	+2.99
FTSE Bursa Malaysia KLCI Index	1619.57	+0.34	-4.11
Jakarta SE Composite Index	4503.15	+0.09	+4.32
Thailand SET Index	1499.81	-0.04	+7.75
Philippines SE PSEi Index	6459.99	+0.45	+11.14
Taiwan SE Weighted Index	7906.65	+0.25	+2.69
Korea SE KOSPI Index	1931.77	-0.23	-3.27
Hong Kong Hang Seng Index	23177.00	-0.34	+2.30
Shanghai SE Composite Index	2418.53	-0.66	+6.58
India Sensex 30 Index	19580.32	-0.30	+0.79

slightly at 3.0942/USD vs 3.0957 late Wed though investors were wary of taking aggressive positions ahead of the Chinese New Year holidays and a looming general election.

SGD

- **SGD weakened slightly on Thur, at 1.2396/USD from 1.2390 late Wed** having hit intraday low of 1.2407, the weakest in a week. The downward pressure on SGD and a pro-USD sentiment was driven largely somewhat meager US weekly initial jobless claims data yesterday as well as ECB Draghi's concerns over the strength of EUR, while the EU leaders summit continues today for its second and last day. The S\$ index continues to hover just near the policy pivot point as in the case yesterday. Ahead of the Chinese New Year holidays, the SGD NEER is expected to stay pressured towards the lower half of the policy band at around +0.25% to -0.5% around the midpoint, which implies USD/SGD range of 1.2370 to 1.2440 for now.

SGS

- **Gong Xi Fa Cai to all! SGS activity if any will be tilted to better short covering** ahead of the long weekend. Stay safe eat lots. Opening levels 2y 99.94/02 0.28/0.24; 5y 107.90/10 0.44/0.40; 10y 114.15/35 1.53/1.51; 15y 115.05/35 2.25/2.22; 20y 106.60/00 2.41/2.38; 30y 99.00/60 2.80/2.77.

RMB

- **RMB fell slightly to 6.2322/USD late Thur from 6.2317 close on Wed**, tracking a weaker central parity at 6.2898/USD vs. 6.2881 on Wed, as well as the continued weakness in the Japanese yen. Today's focus will be the January external trade report and CPI report but due to the base effect with Chinese New Year holidays in January last year, plenty of distortions are likely in today's data. It is best not to overreact to the data and wait for a combined reading of Jan-Feb data to have a better sense of economic direction. Offshore NDF prices late Thur continued to imply a 1.4% depreciation against the USD over next 12 months while offshore CNH also fell against the USD at 6.2213/USD from 6.2160 late Wed.

Equities

- **Asian equity markets were broadly lower Thur** ahead of Friday's economic data from China, while Japan's market retreated after its strong gains in the pre-

vious session. Nikkei 225 declined 0.9% to 11357.07 on profit-taking after the market surged 3.8% on Wed to end at its highest level since September 2008. Hang Seng Index eased 0.3% and the Shanghai Composite lost 0.7% to 2418.53. Kospi Composite fell 0.2% to 1931.77. In regional markets, Jakarta Composite ended flat at 4503.148 in moderate volume and Thai shares also ended flat at 1499.81. KLCI recouped early losses to end up 0.3% at 1619.57, lifted by buying interest in telco stocks while STI fell 14.76 points, or 0.45%, to close at 3,261.77.

Economic News

- **China on Thursday accused Japan of seeking to "smear" it** after Tokyo said a Chinese frigate locked its weapons-targeting radar on a Japanese warship, as the two countries remain locked in a maritime row.
- **HKMA on Wed unveiled a major overhaul of rate setting in the city**, stripping a banking-industry group of control and phasing out some versions of the benchmark Hong Kong interbank offered rate (HIBOR).
- **Taiwan's trade surplus narrowed to a 25-month low in Jan**, as imports soared on corporate and consumer demand while exports held largely steady largely due to base effect as lunar new year fell in Jan last year. January exports rose 21.8%/y/y to US\$25.67 billion, below expectation of 23.3%. Imports rose 22.3%/y/y in Jan US\$25.20 billion, ahead of consensus forecast of 8.5%.
- **Taiwan's central bank said Thursday onshore banks had taken RMB1.3bn of deposits on Wed**, the first day of direct RMB clearing between Taiwan and China.
- **RBI Gov Subbarao said the central bank will factor in the government's latest economic growth estimate** at its next monetary policy review in March, which showed the economy will likely grow 5% in the fiscal year through March, the slowest in a decade, and compared with 6.2% the year earlier.
- **Bank Indonesia will name contributors for IDR NDF fixing** and will also decide soon at what time of the day it will publish the onshore reference rate that will be used to settle forward transactions locally, Hendar, executive director for monetary policy, told reporters on Thur.

Economic Indicators						
Date	Time	Indicators	Month	Actual	Market Forecast	Previous
07 Feb	1203	TH Consumer Confidence	Jan	81.7	-	80.2
	1355	PH Foreign Reserves USD	Jan	85.8	-	83.8bn
	1444	ID Foreign Reserves USD	Jan	108.78	-	112.78bn
	1600	TW Total Trade Balance USD	Jan	0.47	3.55	4.13bn
	1600	TW Total Exports y/y	Jan	21.8	23.2	9.0%
	1600	TW Total Imports y/y	Jan	22.3	9.1	1.6%
	1700	SG Foreign Reserves USD	Jan	258.84	-	259.31bn
	1705	HK Foreign Currency Reserves USD	Jan	321.0	-	317.3bn
08 Feb	1201	MY Exports y/y	Dec		1.4	3.3%
	1201	MY Industrial Production y/y	Dec		6.0	7.5%
	1201	MY Manufacturing Sales Value y/y	Dec		-	7.4%
	1201	MY Trade Balance	Dec		8.60	9.28bn
	1330	CN CPI y/y	Jan		2.0	2.5%
	1330	CN PPI y/y	Jan		-1.5	-1.9%
	1500	TW Total Trade Balance USD	Jan		3.55	4.13bn
	1500	TW Total Exports y/y	Jan		23.2	9.0%
	1500	TW Total Imports y/y	Jan		9.1	1.6%
	1530	TH Foreign Reserves	Feb 1		-	181.6bn
	1700	MY Foreign Reserves USD	Jan 31		-	140.0bn
	-	CN Imports y/y	Jan		23.5	6.0%
	-	CN Exports y/y	Jan		17.3	14.1%
	-	CN Trade Balance USD	Jan		24.20	31.62bn

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