

Asian Markets

Tuesday, 05 March 2013

Line-Up For The Day Ahead

- **Data calendar is light in Asia today with the attention on China's National People's Congress (NPC) which opens with new leaders in power. China has set its GDP growth and inflation target for 2013 at 7.5% and 3.5% respectively.**
- For data, we have Taiwan's Feb CPI which is expected to rise to 2.7% y/y in Feb from 1.2% y/y in Jan.

Forex

- **It was risk-off for the Asian markets on Mon as the property tightening measures in China added to concerns over the uncertainties in Italy and the US.**
- **USD rallied against the Asian currencies on Mon.** TWD and KRW ended lower at 29.770/USD and 1,093.15/USD from 29.666/USD and 1,084.45/USD in the preceding session respectively. MYR traded to 3.1070/USD late-Mon from 3.0945/USD on Fri while IDR dropped to 9,714/USD from 9,682/USD on Fri. THB eased to 29.800/USD at the close of the Asian session on Mon from 29.740/USD on Fri.

SGD

- **USD/SGD surged to a 6-month high of 1.2486 on Mon compared to last Fri's high of 1.2409.** The trade-weighted SGD NEER slipped below the mid-point late-Mon before rebounding to around the mid-point this morning. SGD NEER within +/-0.5% from the mid-point implies USD/SGD range of 1.2380-1.2510 based on current FX levels.

SGS

- **Chinese home prices were obviously of no concern to US. We'll probably see Asian markets take back some of yesterday's weakness after extrapolating the worst yesterday.** SGS traded sparsely yesterday with only short cover interest. The 5y region of the curve is trading at historical lows again, so it will only attract carry strategies. Continue to avoid short end bonds, when you can get similar maturity bills yielding much higher. Only with a washout of shorts and a move into the 0.30 zone will the short end SGS present any value.

Foreign Exchange Rates (as of 04 Mar 2013)					
FX	Asian Close	Asian High	Asian Low	NY High	NY Low
SGD	1.2470	1.2486	1.2428	1.2480	1.2452
MYR	3.1055	3.1095	3.0950	-	-
IDR	9701	9711	9695	-	-
THB	29.80	29.84	29.74	-	-
PHP	40.77	40.83	40.74	-	-
TWD	29.770	29.770	29.655	-	-
KRW	-	-	-	-	-
HKD	7.7566	7.7568	7.7547	-	-
CNY	6.2246	6.2293	6.2225	-	-

UOB's Estimation of SGD NEER (as of 05 Mar 2013) Assuming 2.0% on each side of the pivot point	
Lower-End	1.2701
Upper-End	1.2203
Mid-Point	1.2447

Market Holiday	Date	Event
ID	12 Mar	Saka New Year
PH	28 Mar	Maundy Thursday
SG/HK/ID/PH	29 Mar	Good Friday

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%	07 Mar	5.75%
THB 1-Day Repo	2.75%	03 Apr	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 Mar	2.75%
HKD Base Rate	0.50%	-	0.50%
CNY 1-Yr Wking Capital	6.00%	-	6.00%

Stock Indices (as of 04 Mar 2013)	Closing	% chg	ytd % chg
FTSE Straits Times Index	3239.95	-0.90	+2.30
FTSE Bursa Malaysia KLCI Index	1635.98	-0.09	-3.14
Jakarta SE Composite Index	4761.46	-1.04	+10.30
Thailand SET Index	1540.72	+0.07	+10.69
Philippines SE PSEi Index	6637.56	-0.07	+14.19
Taiwan SE Weighted Index	7867.34	-1.22	+2.18
Korea SE KOSPI Index	2013.15	-0.66	+0.81
Hong Kong Hang Seng Index	22537.81	-1.50	-0.53
Shanghai SE Composite Index	2273.40	-3.65	+0.19
India Sensex 30 Index	18877.96	-0.21	-2.82

Opening levels:

2y	100.06/14	0.22/0.18
5y	108.13/33	0.36/0.31
10y	114.40/60	1.49/1.47
15y	116.40/70	2.14/2.11
20y	107.40/80	2.36/2.33
30y	100.20/80	2.74/2.71

RMB

- **Spot RMB ended down 14 pips at 6.2251/USD on Mon compared to 6.2237/USD on Fri in line with the broad USD rally and as the PBoC continued to guide the RMB fixing lower.** The USD/RMB is expected to keep to a narrow range this week as the NPC kicks off. In the NDF market, 1Y RMB was at 6.3250, pricing in 1.6% depreciation against USD from the spot close on Mon. **The central bank set the RMB central parity firmer at 6.2797/USD this morning compared to 6.2822/USD on Mon.**

Equities

- **Asian stocks sold-off on Mon.** The announcement of the property tightening measures ahead of the NPC last Fri suggests that China continues to take a hard line in the property sector and further measures from the new leaders to boost the economy could be limited. The Shanghai CI slumped 3.7% with some property counters hitting the daily 10% trading limit on the downside. Hang Seng Index ended down 1.5%, weighed by the mainland property stocks. The STI fell 0.9% on Mon. **Despite the positive finish in the US stock indexes overnight, sentiment is likely to remain cautious ahead of key data in US and China on Fri.**

Economic News

- **Singapore's manufacturing PMI dropped to 49.4 in Feb from 50.2 in Jan**, indicating that the activity in the sector has contracted in the month. Nonetheless, the electronics sub-index rebounded to 52.1 in Feb from 49.9 in Jan.
- **China's NDRC official** said that urbanization in China is not just about property construction and it must involve modernization of the agriculture sector.
- **PBoC vice gov Yi Gang** said that controlling inflation remains the primary objective of the central bank and reiterated its commitment to liberalize interest rate but maintained that the process would require time.
- **China's securities regulator** is proposing to allow securities companies to issue new debt-financing instruments such as securities linked to interest rates, securities prices and indexes.
- **China** has expanded its pilot program to allow city commercial banks to set up fund management subsidiaries.

Economic Indicators						
Date	Time	Indicators	Month	Actual	Market Forecast	Previous
04 Mar	0700	SK CPI m/m	Feb	0.3	0.5	0.6%
	0700	SK CPI y/y	Feb	1.4	1.6	1.5%
	0801	SK HSBC Manufacturing PMI	Feb	50.9	-	49.9
	1630	HK Retail Sales - Value y/y	Jan	10.5	9.8	9.1%
	1630	HK Retail Sales - Volume y/y	Jan	10.4	8.7	8.5%
	2130	SG PMI	Feb	49.4	50.3	50.2
05 Mar	0830	TW CPI y/y	Feb		2.80	1.15%
	0830	TW WPI y/y	Feb		-3.92	-3.81%
	0900	PH CPI y/y	Feb		3.3	3.0%
	0900	PH CPI nsa m/m	Feb		0.3	0.5%
	0945	CN HSBC Services PMI	Feb		-	54.0
	1030	HK PMI	Feb		-	52.5
	1620	TW Foreign Exchange Reserves USD	Feb		-	406.56bn
	-	PH Budget Deficit/Surplus	Feb		-	-11.6bn
07 Mar	1130	TH Consumer Confidence Economic	Feb		-	72.1
	1600	TW Total Trade Bal USD	Feb		0.63	0.47bn
	1600	TW Total Exports y/y	Feb		-8.5	21.8%
	1600	TW Total Imports y/y	Feb		-9.2	22.3%
	1700	MY Foreign Reserves	Feb 28		-	140.3bn
	1800	MYR O/N Policy Rate	Mar		-	3.00%
	-	HK Foreign Currency Reserves USD	Feb		-	321.0bn
	-	PH Foreign Reserves USD	Feb		-	85.3bn
	-	IDR O/N Rate	Mar		-	5.75%
	-	TH Consumer Confidence	Feb		-	81.7
08 Mar	1530	TH Foreign Reserves	Mar 1		-	-
	-	CN Trade Balance USD	Feb		-	29.15bn
	-	CN Exports y/y	Feb		-	25.0%
	-	CN Imports y/y	Feb		-	28.8%

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