

Asian Markets

Monday, 28 January 2013

Key Data/Event Ahead

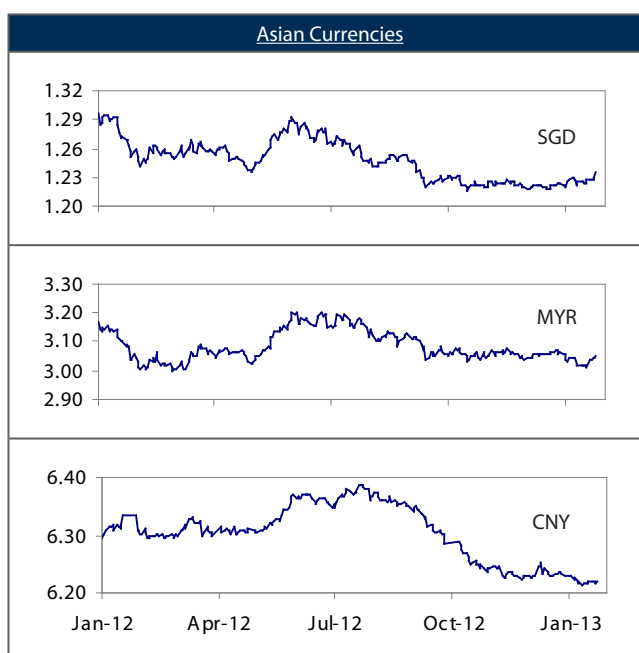
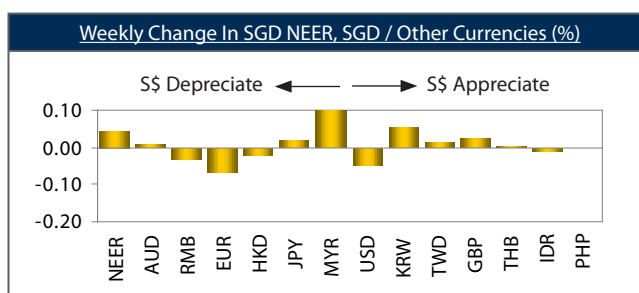
- A busy week ahead for Asia and global markets as the US nonfarm payroll report looms large on Fri, preceded by US ADP private payroll report and US 4Q GDP (both Wed). In Asia, focus will also be on Friday when China's PMI reports are released early in the morning.
- A slew of central bank meetings are due this week, though only India's RBI is expected to cut interest rate on Tue with a 25bps move. Meanwhile, central banks that are set for meeting include US Fed (Thur morning), RBNZ and Bank Negara (both Thur), all of which are expected to keep interest rates unchanged though the post-meeting statements will be the key focus.
- For today, data releases are relatively thin in Asia, but Japan's PM Abe will start the ball rolling on JPY, with a scheduled policy speech in Parliament at 1pm. RBI will release its economic report ahead of policy meeting on Tue. Singapore's EDB is scheduled to hold its annual briefing and to provide its outlook for 2013. Malaysia and Australia markets closed today for public holiday.

Forex

- Asian currencies were generally lower against the USD last week**, with concerns that weakened JPY heightened risks that other Asian central banks could bias towards weaker home currencies as well. At the last count, officials and central banks from South Korea, Taiwan, Thailand, and Philippines had openly cautioned on the strength of their home currencies. To put in context, last week saw JPY weakening 0.9% to 90.91/USD Friday, and a record 11th straight weeks of yen weakening. It should be noted that aside from South Korea and Taiwan, most Asian countries generally do not compete with Japan in the same markets, which means that risks for a "competitive devaluation" remain low currently. For the week ahead, key events and data especially latter part of the week are likely to cause swings in Asian currencies while Japan's currency policy could raise risks of interventions in other Asian central banks to dampen excessive strength. In last week's actions, KRW declined 1.6% to 1,074.05/USD and THB dropped 0.6% to 29.91/USD, snapping a 7-week gain. PHP lost 0.2% to 40.658/USD as the central bank had been intervening regularly which

Foreign Exchange Rates (as of 25 Jan 2013)					
FX	Asian Close	Asian High	Asian Low	NY High	NY Low
SGD	1.2299	1.2318	1.2299	1.2374	1.2289
MYR	3.0430	3.0540	3.0425	-	-
IDR	9645	9670	9629	-	-
THB	29.88	29.91	29.83	-	-
PHP	40.66	40.74	40.65	-	-
TWD	29.250	29.250	29.250	-	-
KRW	1074.45	1074.50	1069.00	-	-
HKD	7.7540	7.7545	7.7532	-	-
CNY	6.2203	6.2211	6.2184	-	-

UOB's Estimation of SGD NEER (as of 28 Jan 2013) Assuming 2.0% on each side of the pivot point	
Lower-End	1.2564
Upper-End	1.2072
Mid-Point	1.2313



boosted its foreign exchange reserves. TWD fell 0.7% for the week to end at 29.25/USD, the most since June last year. MYR fell 1.2% to 3.0490/USD for the week and recorded its worst week since Jun, partly dragged down by expectations over the coming general elections which must be called before end-Apr. IDR weakened 0.2% for the week to 9,653/USD.

SGD

- SGD eased progressively against the USD last Fri to settle at 1.2342/USD, tracking a generally soft tone of most Asian currencies** in reaction to Japan's yen policy. While there was some relieve earlier on Fri as Singapore's industrial production in Dec turned up better than expected with a 0.6%/y decline, compared to 4.8% decline expected by consensus, ex-biomed manufacturing dropped a sharper 5.2% y/y in Dec, continuing a weak trend. As Dec IP grew 5.4% on a m/m sa basis, we do not see risks of a significant downward revision to Singapore's 4Q 2012 GDP, which means that we would likely escape a technical recession. For the week, USD/SGD rose 0.6%, extending the 0.2% rise a week earlier. The trade-weighted S\$ index hovered around 0.4% below the midpoint, and is likely to stay within 0.0% to -0.75% below the midpoint, which implies USD/SGD range of 1.2315-1.2400.

SGS

- Good times in Eurozone, as larger than expected repayment of LTRO money fueled moves higher** in Eurostoxx and EUR. With UST suffering alongside moves in Bunds, we're now back to the high yields of the last FOMC. We will need to see something significantly more hawkish coming out of this coming FOMC meeting for UST 10y to break above 2.00%. SGS opened softer on Friday, but after the moves we had it was inevitable that some dip buying emerged. This was initially driven by the belly but was joined later by selective value buys in the rest of the curve. After the moves we had in UST, SGS will open lower and probably will outperform and early signs of rebuilding long positions.
- Opening levels 2y 101.81/89 0.29/0.24 5y 108.30/50 0.37/0.32 10y 115.65/85 1.38/1.36 15y 117.25/55 2.08/2.06 20y 109.00/40 2.25/2.23 30y 101.50/10 2.68/2.65.

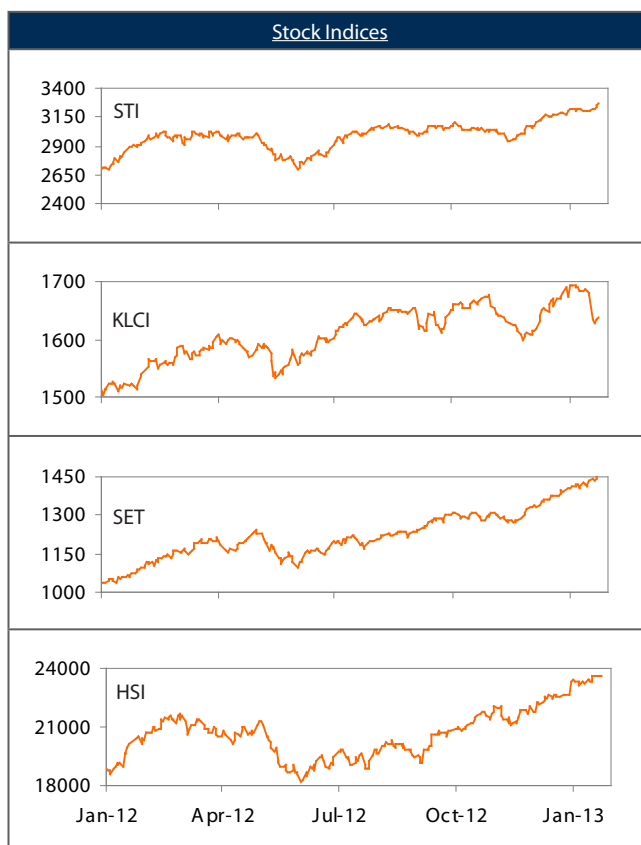
RMB

- RMB fell 0.1% for the week to end at 6.2205/USD, its first weekly decline in four. The RMB was largely range bound on Fri after the central parity was fixed lower in the morning at 6.2805,** compared to Thursday's fixing of 6.2783, and market brushed aside

Market Holiday	Date	Event
MY	27-28 Jan	Thaipusam Day
MY	01 Feb	Federal Territory Day
SG/MY/HK/CN	11-12 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%	31 Jan	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 25 Jan 2013)	Closing	% chg	ytd % chg
FTSE Straits Times Index	3269.31	+0.64	+3.23
FTSE Bursa Malaysia KLCI Index	1637.13	+0.11	-0.74
Jakarta SE Composite Index	4465.48	+1.53	-3.07
Thailand SET Index	1461.41	+0.85	+4.99
Philippines SE PSEi Index	6167.64	+0.82	+6.11
Taiwan SE Weighted Index	7672.58	-0.30	-0.35
Korea SE KOSPI Index	1946.69	-0.91	-2.52
Hong Kong Hang Seng Index	23580.43	-0.08	+4.08
Shanghai SE Composite Index	2291.30	-0.49	+0.98
India Sensex 30 Index	20103.53	+0.90	+3.48



a better-than-expected HSBC flash PMI report as sub-indices for output, new orders and employment all improved to hover above 50. While the RMB is likely to bias stronger against the USD for the year, PBoC Deputy Governor Yi Gang's caution that the RMB is close to equilibrium should curb any substantial upside for the currency. This morning, the USD/RMB fixing was set higher at 6.2818.

Equities

- **Asian equity markets last week took the uneven lead from Wall St and generally failed to follow** the Japan's markets which were boosted by Bank of Japan's decision earlier this week to adopt an open-ended asset purchase program and to pursue an inflation target of 2%. Nikkei index surged 2.88% on Fri, or 305.78 points, to 10,926.65, pushing the benchmark index to its best close since April 2010. For the week, Nikkei rose 0.12%. For the week, HSI fell 0.1% and Shanghai Composite slid 1.1% to close at the lowest in a week, while Taiex slid 0.8%. STI gained 1.8%. KOSPI index slumped 2.1% while KLCI was down 2.6% for the week as elections jitter set in while the index managed to register a 0.1% gain on Fri.

Economic News

- **The Japanese yen still has room to weaken further, and many see 95 yen to a dollar** as its desirable rate, Heizo Takenaka, a key economic advisor to PM Abe and a possible BoJ Gov candidate, said on Sat in Davos, while dismissing growing charges that Tokyo was easing monetary policy to guide the currency lower.
- **China's Communist Party General Secretary Xi Jinping has agreed to consider** holding a summit with Japan's PM Abe aimed at easing tensions over a territorial dispute, Japan's government envoy Natsuo Yamaguchi, leader of Abe's junior coalition partner, told reporters after meeting Xi in Beijing on Fri.
- **PBoC deputy governor and SAFE chief Yi Gang said in an interview in Davos** the RMB exchange rate is "close to" equilibrium and urged Group of 20 nations to improve collaboration if so-called currency wars are to be avoided. China will particularly monitor the effect "of the new Japanese policy on the world economy, the emerging market in particular," Yi said on the sidelines World Economic Forum in Davos, according to Xinhua.
- **PBoC signed a pact Friday with the Bank of China's Taipei branch allowing it to clear RMB transactions**

in Taiwan, meaning that Taiwanese people will be able to invest in RMB-denominated assets, possibly before mid-Feb, according to a statement from Taiwan's CBC on Fri. The clearing pact signed between the two Chinese banks stipulates that holders of Taiwan national identification cards will be able to trade in the RMB to a daily limit of RMB20,000 and will also allow Taiwanese people to wire a maximum daily amount of RMB80,000 to China, the statement said. Currently, only offshore banking units (OBU) are allowed to conduct RMB transactions. Further details will be issued on 30 Jan.

- **Chinese industrial companies' profits rose for a fourth month in Dec, with 17.3%y/y** gain to RMB895bn, for a full year gain of 5.3% in 2012, data released by NBS on Sat showed. This extended the 22.8% surge in Nov and further points to the economic recovery momentum.
- **China's Ministry of Human Resources and Social Security said on Fri that 25 provinces** had raised minimum pay by an average 20.2% in 2012. The rising wages fuel gains in Chinese consumption but are eroding the country's role as the world's low-cost manufacturer.
- **Thai Finance Minister Kittiratt Na-Ranong said over the weekend the BoT** should avoid fighting market forces to stem currency gains "unless it's only part of the daily stability, the weekly stability," Bloomberg reported. Thai exporters are under pressure from the 2.5% year-to-date gain in THB, on top of higher minimum wage imposed this month.
- **India's central bank is expected to cut interest rates on Tue for the first time** in nine months in response to the government's recent economic reform measures as well as slowing inflation, just as the economy is facing its worst growth slump in a decade.
- **Singapore's private home prices rose 1.8%q/q** in 4Q12 to a new record high, according to finalized data released by the government Fri. For the full year, prices of private residential properties increased by about 2.8%, unchanged from the preliminary figure. That was slower than the 5.9% increase in 2011.
- **In a Singapore by-election over the weekend,** Opposition Worker's Party won a parliamentary seat after garnering 54.52% of the valid votes, edging past the ruling PAP which obtained 43.71% of the votes.

Economic Indicators						
Date	Time	Indicators	Month	Actual	Market Forecast	Previous
25 Jan	0900	PH Total Monthly Imports USD	Nov	5135.5	-	5239.9mn
	0900	PH Trade Balance USD	Nov	-1586	-	-832mn
	1300	SG Industrial Production m/m sa	Dec	5.4	-0.7	1.8%
	1300	SG Industrial Production y/y	Dec	-0.6	-4.8	2.9%
28 Jan	0500	SK Consumer Confidence	Jan	102	-	99
	1600	TW Leading Index m/m	Dec		-	0.8%
	-	CN Leading Index	Dec		-	100.21
30 Jan	0700	SK Current Account USD	Dec		-	6877.7mn
31 Jan	0830	TW GDP - Constant Prices y/y	4Q		3.00	0.98%
	1000	PH GDP sa q/q	4Q		1.2	1.3%
	1000	PH GDP y/y	4Q		6.4	7.1%
	1000	PH Annual GDP y/y	-		6.4	3.7%
	1000	SG Unemployment Rate sa	4Q P		2.0	1.9%
	1430	TH Total Exports y/y	Dec		-	27.1%
	1430	TH Total Imports y/y	Dec		-	24.1%
	1430	TH Total Trade Balance USD	Dec		-	627mn
	1530	TH Current Account Balance USD	Dec		-	392mn
	1530	TH Business Sentiment Index	Dec		-	52.0
	1630	HK Govt Mthly Budget Surp/Def HKD	Dec		-	24.8bn
	1630	HK Retail Sales - Value y/y	Dec		-	9.5%
	1630	HK Retail Sales - Volume y/y	Dec		-	8.1%
1800	MYR O/N Policy Rate	Jan		3.00	3.00%	

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