

Asian Markets

Thursday, 21 March 2013

Key Event/Data Ahead

- Investors largely shrugged off the developments in Cyprus and instead focused on US FOMC meeting overnight which largely reaffirmed the current QE bond buying program and saw USD broadly lower as a result. However, Cyprus is now at risk of default as the parliament early Wed had rejected the bailout of its banking sector. Financial markets have recovered somewhat on Wed, with EUR edging near US\$1.30 level having fallen towards the 1.28 level earlier this week, but watch this space as implications on the larger Eurozone are still fluid and contagion risk remains real in the ongoing Eurozone debt crisis.
- For today, key data in Asia to watch out for is China's flash HSBC PMI for Mar (945am), with consensus looking for a marginal improvement to 50.8 from 50.4 in Tue. Being largely free of Chinese New Year seasonal effects, March data should give a clearer sense of direction for the Chinese economy. A better than expected reading would be positive for risky assets such as equity and commodities, and AUD in particular.
- Other key events today include US Pres Obama's 3-day visit to Israel/Palestine/Jordan (Wed to Fri).

Forex

- Asian currencies mixed on Wed, as investors continued to reassess developments in Cyprus** and the larger implications on the rest of Eurozone, while the impending loose monetary policy out of BoJ added pressures on Asian peers as a new slate of leaders taking over the central bank. KRW touched the weakest level in nearly 6 months, as the unit fell 0.5% to 1,116.30/USD after declining as much as 0.8% to 1,119.95/USD, the weakest since 27 Sep. THB rose 0.4% to 29.19/USD after earlier touching 29.14 intra-day, its highest level since July 1997. BoT Gov Prasarn said that special measures to stem inflows aren't necessary at the moment, and central bank has no plans to impose measures on baht even though currency has strengthened too quickly and its move has been "excessive." MYR reversed earlier decline, rising 0.2% to 3.1200/USD. TWD reversed gain after export orders dropped the most in almost 4 years in Feb on Wed, as the unit edged down 0.2% for the day to 29.845/USD,

Foreign Exchange Rates (as of 20 Mar 2013)					
FX	Asian Close	Asian High	Asian Low	NY High	NY Low
SGD	1.2508	1.2529	1.2506	1.2519	1.2502
MYR	-	-	-	-	-
IDR	-	-	-	-	-
THB	29.17	29.29	29.15	-	-
PHP	40.73	40.77	40.72	-	-
TWD	29.845	29.845	29.750	-	-
KRW	-	-	-	-	-
HKD	7.7616	7.7616	7.7612	-	-
CNY	-	-	-	-	-

UOB's Estimation of SGD NEER (as of 21 Mar 2013) Assuming 2.0% on each side of the pivot point	
Lower-End	1.2730
Upper-End	1.2231
Mid-Point	1.2475

Market Holiday	Date	Event
PH	28 Mar	Maundy Thursday
SG/HK/ID/PH	29 Mar	Good Friday
HK	01 Apr	Easter Monday

Interest Rates	Current	Next CB Meet	UOB's Forecast
SGD 3-Mth SIBOR	0.38%	-	-
MYR O/N Policy Rate	3.00%	09 May	3.00%
IDR O/N Rate	5.75%	11 Apr	5.75%
THB 1-Day Repo	2.75%	03 Apr	2.75%
PHP O/N Reverse Repo	3.50%	25 Apr	3.50%
TWD Discount Rate	1.88%	21 Mar	1.88%
KRW Base Rate	2.75%	11 Apr	2.75%
HKD Base Rate	0.50%	-	0.50%
CNY 1-Yr Wking Capital	6.00%	-	6.00%

Stock Indices (as of 20 Mar 2013)	Closing	% chg	ytd % chg
FTSE Straits Times Index	3248.40	-0.63	+2.57
FTSE Bursa Malaysia KLCI Index	1631.54	+0.37	-3.40
Jakarta SE Composite Index	4831.50	+0.18	+11.93
Thailand SET Index	1543.67	-1.57	+10.90
Philippines SE PSEi Index	6419.62	-0.10	+10.44
Taiwan SE Weighted Index	7798.03	-0.52	+1.28
Korea SE KOSPI Index	1954.41	-0.97	-1.88
Hong Kong Hang Seng Index	22256.44	+0.97	-1.77
Shanghai SE Composite Index	2317.37	+2.66	+2.13
India Sensex 30 Index	18884.19	0.65	-2.79

the lowest since 7 Sep, and is down 2.5% so far this year against the USD.

SGD

- **SGD held steady overnight at 1.2511/USD, vs. 1.2513 on Tue**, within a relatively narrow range of 1.2529-1.2502 after shaking off weakness earlier in Asian session in reaction to the Cypriot parliament's overwhelming rejection of the bank bailout package on Wed morning. With the US Fed largely maintaining its QE program, USD is seeing renewed weakness although any shifts toward "risk off" could still see demand for dollar coming back. This morning, the trade weighted SGD index was steady at 0.24% below the midpoint, unchanged from yesterday. The index is likely to hover within the 0.0% to -0.5% range for now, which implies USD/SGD range of 1.2480-1.2540.

SGS

- **Who do you turn to when your family abandons you? The Russians.** Maybe Cyprus should ask for a discount on their club membership fees. Markets are liking it, as any solution is better than no solution, after all Cypriots will bear the costs whilst markets enjoy the rally when contagion risk is taken off the table. SGS is weary of chasing the recent highs. Trading off political risk is a coin toss. Bulk of positioning is likely to be in the belly, where the market looks to over/underweight with every twist and turn of the ongoing Cyprus saga. Opening levels 2y 100.12/20 0.19/0.14 5y 108.11/31 0.35/0.30 10y 113.70/90 1.56/1.54 15y 115.15/45 2.23/2.21 20y 106.05/45 2.45/2.42 30y 99.10/70 2.80/2.77.

RMB

- **RMB rose to 6.2118/USD vs. 6.2157 on Tue, after hitting 6.2113, a record high for the currency** since 1994 as US Treasury Sec Jacob Lew wrapped up his two-day visit to China meeting with new leaders in the country, in his first foreign visit. The move higher was also helped by firmer fixing, which was set at 6.2716/USD, from 6.2758 on Tue, in spite of dollar strength on Cyprus concerns. Offshore NDF is still pricing in a 1.5% fall for the RMB in the next 12 months, while offshore CNH was at 6.2083/USD, marginally firmer vs. 6.2085 late Tuesday.

Equities

- **Asian markets were mixed on Wed after Cypriot lawmakers comprehensively rejected a plan to tax savings** early Wed morning as part of a crucial bailout deal, amid fears over the Eurozone financial system. Bargain hunters moved in to send Hang Seng Index up 0.97%, or 214.58 points, to 22,256.44, while Shanghai

Composite surged 2.66%, or 59.94 points, to 2,317.37. Japan's markets were closed for a public holiday. Taiex fell 0.52%, or 40.44 points, to 7,798.03. Phil Composite closed 0.10% lower, or 6.63 points to 6,419.62. STI fell 0.6% or 20.73 points to close at 3,248.4 on Wed.

Economic News

- **US Treasury Sec Jacob J. Lew said at the of his 2-day visit on Wed that he pressed China's new leadership** on cybersecurity, North Korea and exchange rates, as both sides pledged to cooperate to support domestic and global growth. In currency space, Lew noted that a market-determined RMB is in each nation's interest, and the Chinese govt recognized "the need to do it for internal reasons".
- **Taiwan's export orders in Feb shrank more expected at 14.5%y/y** vs. expectations of -4.5% and the 18% rise in Jan, owing to weakened demand from China and Japan. In addition there were also fewer working days in the period because Lunar New Year fell in Feb this year, compared to January in 2012. Orders from China in February dropped 22.1% on year while those from Japan also fell 22.5%.
- **Hackers temporarily shut down computer networks at South Korean broadcasters and banks** in the biggest cyber attack on the nation in two years, prompting the government to investigate possible links with North Korea.
- **Malaysia's consumer price index rose 1.5%y/y in Feb**, the fastest pace since June 2012 mainly due to a rise in prices for food and non-alcoholic beverages, and matched the consensus forecast.
- **BoT Gov Prasarn said that Thailand's bond market still has low foreign ownership of 12%-15%** compared to Malaysia and Indonesia at about 30%-40%. Also noted that Thailand and Philippines have attracted inflows as investors avoid other Southeast Asian markets, as upcoming Malaysian election has raised concern about policy continuity and that investors are also concerned about Indonesia's current-account deficit, while Singapore has felt the impact of the global slowdown and is facing a potential bubble in asset prices.
- **MAS quarterly survey of forecasters show private sector economists expect the Singapore economy to grow by 2.8% this year** -- slightly higher than their previous estimate of 2.7% released in December 2012. Full-year inflation is expected to come in at 3.8% in 2013, within MAS' estimated CPI All-Items inflation

range of between 3.5 and 4.5% for the year. For the USD/SGD rate, the median projection for is 1.200, the same forecast given in the Dec 2012 survey, and the projection of 1.24 for end-1Q13 is on track with current trading.

- **Singapore former Minister Mentor Lee Kuan Yew said at a conference on Wed** that a country that does not grow its population risks dissolving “into nothingness”.

Economic Indicators						
Date	Time	Indicators	Month	Actual	Market Forecast	Previous
20 Mar	1600	TW Export Orders y/y	Feb	-14.5	-3.0	18.0%
	1700	MY CPI y/y	Feb	1.5	1.5	1.3%
21 Mar	0945	CN HSBC Flash Manufacturing PMI	Mar		50.8	50.4
	1630	HK CPI - Composite Index y/y	Feb		4.0	3.0%
	1630	HK Bal of Payments - Current a/c USD	4Q		-	23.84bn
	1630	HK Bal of Payments - Overall USD	4Q		-	37.86bn
22 Mar	0830	TW Unemployment Rate sa	Feb		4.2	4.2%
	1530	TH Foreign Reserves USD	Mar 15		-	178.0bn
	1700	MY Foreign Reserves USD	Mar 15		-	140.3bn

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