

Asian Markets

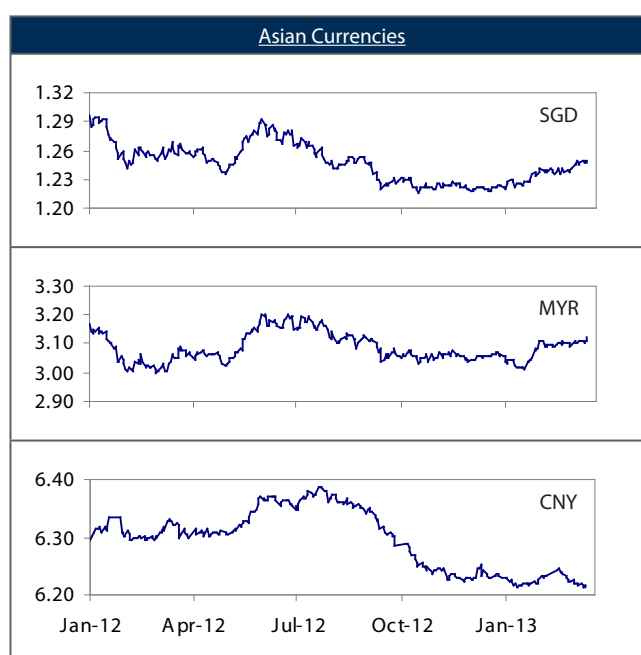
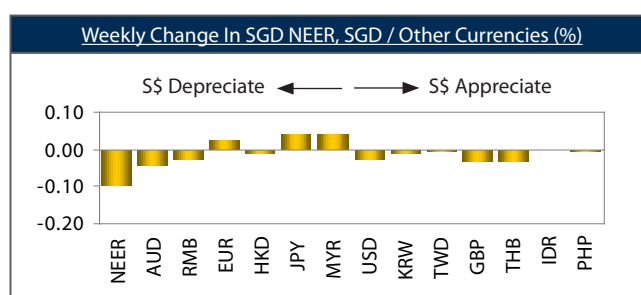
Monday, 18 March 2013

Line-Up For The Week Ahead

- Developments in Cyprus are another key market driver this week, as the country has imposed a bank holiday on Tue in addition to Mon, after the troika (IMF/ECB/EC) imposed taxes on depositors to pay for part of the EUR10bn bailout. This move has rekindled the “risk on/risk off” view on Eurozone once again as debt unwindings continue.
- In Asia this week, key highlights will be India’s RBI rate decision (Tue 130pm) which is widely expected to see a 25bps cut to its repo rate to 7.5% as inflationary pressures ease off. BoJ outgoing governor Shirakawa and two deputy governors will also be stepping down on the same day.
- China’s flash HSBC PMI for Mar will be released on Thur at 945am, with consensus looking for a marginal improvement to 50.9 from 50.4 in Tue.
- Elsewhere on Wed, Japan’s markets will be closed for public holiday. Taiwan’s external trade report for Feb, and Malaysia’s CPI for Feb is expected to rise 1.5%/y from 1.3% in Jan.
- Another key event to note this week is the US Fed FOMC meeting with its decision and economic projections, followed by Fed Chair Bernanke’s news conference. Note that the timing has changed for the two events, taking place at 2:00pm and 2:30pm Eastern Time Wed respectively (Thur morning in Asia), compared to 12pm and 2:30pm previously, thus compressing the period of uncertainty.
- Other data/events of note in the global markets include RBA’s minutes for Mar (Tue), US Pres Obama’s 3-day visit to Israel/Palestine/Jordan (Wed to Fri), and BoE meeting minutes for Mar (Wed) will be closely watched given that in Feb King and two other MPC members were outvoted in a push for more bond purchases.
- For today, Singapore’s exports data for Feb will be out early in the morning, and seasonal factors are likely to see the key NODX slumping 15.6%/y from 0.5% gain in Jan, and electronics exports contracting a further 16.5%/y from -5.6% in Jan. However, NODX is anti-

| Foreign Exchange Rates (as of 15 Mar 2013) | | | | | |
|--|-------------|------------|-----------|---------|--------|
| FX | Asian Close | Asian High | Asian Low | NY High | NY Low |
| SGD | 1.2483 | 1.2495 | 1.2477 | 1.2495 | 1.2472 |
| MYR | 3.1195 | 3.1235 | 3.1100 | - | - |
| IDR | 9703 | 9703 | 9695 | - | - |
| THB | 29.56 | 29.62 | 29.53 | - | - |
| PHP | 40.62 | 40.63 | 40.58 | - | - |
| TWD | 29.762 | 29.800 | 29.680 | - | - |
| KRW | - | - | - | - | - |
| HKD | 7.7580 | 7.7586 | 7.7576 | - | - |
| CNY | 6.2133 | 6.2148 | 6.2123 | - | - |

| UOB's Estimation of SGD NEER (as of 18 Mar 2013) Assuming 2.0% on each side of the pivot point | |
|---|--------|
| Lower-End | 1.2738 |
| Upper-End | 1.2239 |
| Mid-Point | 1.2483 |



pated to rise 4.7% m/m sa from the -1.8% in Jan.

Forex

- Asian currencies were generally lower last week as the US dollar firmed on continued improvements** in US data. Developments in Cyprus that saw depositors on track to taking a "hair cut" to pay for its bank bailout, safer currencies such as the USD, CHF, and GBP are likely to be favoured this week. KRW fell 1.8% for the week to 1,110.23/USD, amidst ongoing weakness in the yen which raised concerns in South Korea over exports competitiveness. MYR declined 0.5% for the week to 3.1260/USD late Fri, its second weekly fall partly in response to uncertainty over the upcoming election as the parliament is required to be dissolved by 28 Apr. IDR dropped 0.2% to 9,701/USD, its second weekly decline. Elsewhere, TWD was flat at 29.175/USD for the third straight week, and PHP steady at 40.597/USD, and THB gained 0.4% to 29.58/USD.

SGD

- SGD held flat last week at 1.2476/USD, after weakening for the three consecutive weeks** against the USD. However, the developments in Cyprus over the weekend is expected to see USD back in favour again as "risk on/risk off" trade returns. This could see SGD staying on a weakening bias for now, leading to the SGD trade weighted index easing to 0.26% below the midpoint this morning from 0.15% last Fri. For now the SGD NEER is expected to stay within the 0.0% to -1.0% below the midpoint, which implies USD/SGD range of 1.2590 – 1.2480.

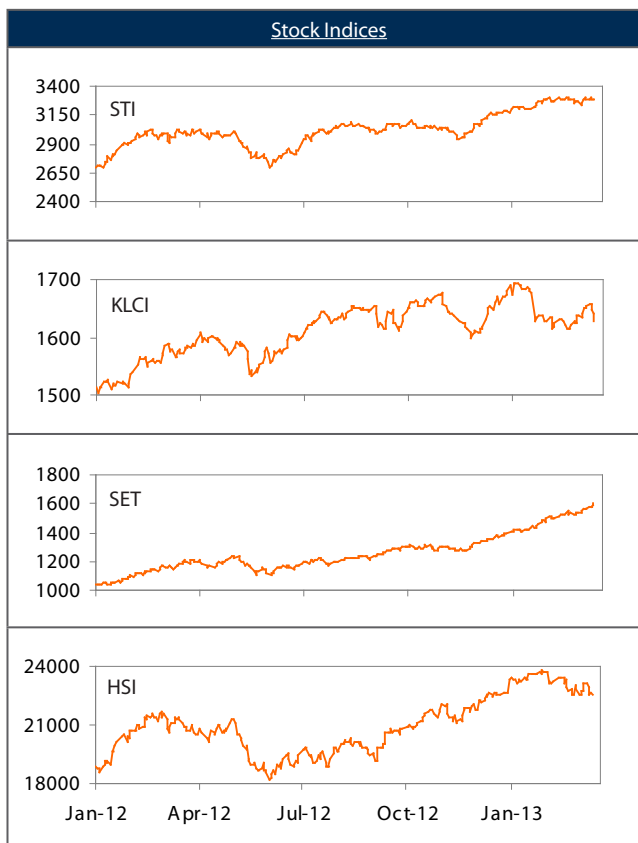
SGS

It is a sea of red this morning. It seems like 2Q is shaping up to be another risk weak period, this time thanks to the European deposit tax. What a way to reward behaviour: borrowers get debt forgiveness and savers get robbed. If this is medicine, you would almost prefer to let the patient die. Fresh fear injected, markets are running with their extrapolators, noise to information content is favouring the former, better to let this play out short term before relooking medium term views. SGS had a lacklustre Friday, despite slightly higher UST, market was weighed down by Thursday selling. All different this morning, expect callers to be looking for cheap offers across the curve. We'll probably see second round covers before the day is up. Opening levels 2y 100.15/23 0.17/0.13 5y 108.20/40 0.33/0.28 10y 113.85/05 1.54/1.52 15y 115.30/60 2.22/2.20 20y 106.20/60 2.44/2.41 30y 99.25/85 2.79/2.76.

| 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 15 Mar 2013) | Closing | % chg | ytd % chg |
|-----------------------------------|----------|-------|-----------|
| FTSE Straits Times Index | 3286.05 | +0.20 | +3.76 |
| FTSE Bursa Malaysia KLCI Index | 1627.64 | -0.80 | -3.63 |
| Jakarta SE Composite Index | 4819.32 | +0.69 | +11.64 |
| Thailand SET Index | 1598.13 | +0.71 | +14.81 |
| Philippines SE PSEi Index | 6654.60 | -0.60 | +14.48 |
| Taiwan SE Weighted Index | 7927.49 | -0.31 | +2.96 |
| Korea SE KOSPI Index | 1986.50 | -0.78 | -0.53 |
| Hong Kong Hang Seng Index | 22533.11 | -0.38 | -0.55 |
| Shanghai SE Composite Index | 2278.40 | +0.36 | +0.41 |
| India Sensex 30 Index | 19427.56 | -0.73 | - |



RMB

- **RMB ended firmer at 6.2135/USD from Thur close of 6.2155**, after the fixing was set stronger at 6.2723/USD from Thursday's 6.2752, following dollar weakness overseas. For the week, the RMB was unchanged against the USD and YTD gain is minimal at 0.3%. One key development for China over the weekend was that Zhou Xiaochuan was reappointed for his leadership at PBoC after the nearly 2-week annual NPC session. This means that further reforms of the financial sector are expected to continue and perhaps accelerate, which include the areas of interest rate, RMB internationalization/widening of trading bands, and capital account opening. In addition, the shifting of policy stance from accommodative to neutral as disclosed last week also raised the prospects of tightening of policy rates especially if inflation rates and/or home prices fail to soften. Offshore, 1Y NDF hovered around 6.3060 from 6.3077 late Thur, implying a 1.4% fall for the RMB over the next 12 months, while the offshore CNH was at 6.2095/USD, from 6.2112 late Thur.

Equities

- **Asian equity markets were generally mixed last week as profit taking and ongoing property measures in China** dampened sentiment despite improvements in US data as well as expected easing from Bank of Japan as the new governor takes over the helm. Nikkei 225 rose 1.45%, or 179.76 points, to 12,560.95 on Fri, and gained 2.3% for the week to see the index at its highest level since September 2008. Hang Seng fell 0.38% or 86.07 points to end at 22,533.11, for a 2.4% decline last week led by property developers. Shanghai closed up 0.36%, or 8.12 points, at 2,278.40 on Fri. Kospi fell 0.78%, or 15.63 points on Fri, to 1,986.50. Taiex eased 0.31%, or 24.27 points, to 7,927.49, and fell 1.1% for the week. STI rose 0.20%, or 6.55 points, to 3,286.05. In the US, Dow's 10-day winning streak came to a halt as a decline in a key consumer sentiment index highlighted continuing weaknesses in the economy. The Dow finished down 25.03 points or 0.17% to 14,514.11, the first time in nine days it did not set a fresh record. S&P 500 lost 2.53 points or 0.16% at 1,560.70, after having pushed higher on Thursday to just three points short of its all-time high. Nasdaq Composite dropped 9.86 points (0.30%) to 3,249.07.

Economic News

- **The Eurozone troika (ECB/EC/IMF) bailed out Cyprus over the weekend with a EUR10bn package**, for the fifth Eurozone member to be rescued in the ongoing sovereign debt crisis. However, it set a precedent that bank depositors will share the burden as taxes are imposed on all deposits when banks reopen on Wed.

- **China's newly-installed president Xi Jinping said on Sunday he would fight** for a "great renaissance of the Chinese nation", in his first speech as head of state to delegates at the annual National People's Congress meeting in Beijing, bringing to a close the nearly 2-week long meeting that saw a transition to a new generation of leaders. Newly appointed Premier Li Keqiang held a press conference Sunday, ensuring sustainable economic growth was the "highest priority" for his govt, and said that there will be three new rules in China for next 10 years: 1. No new govt buildings; 2. Govt payroll will decrease; and 3. Entertainment budget will decrease.
- **Other cabinet appointments approved by China's NPC included:** sovereign-wealth head Lou Jiwei as finance minister and retaining Zhou Xiaochuan as central bank chief, as a once-a-decade power handover concluded on Sun. Gao Hucheng, 61, will be commerce minister. Xu Shaoshi, 61, will head the National Development and Reform Commission, the economic planning agency.
- **The leader of a band of Filipino militants whose incursion in Sabah, Malaysia** has left scores dead has reportedly fled Malaysia even as his own family insists he is still in the country. Philippine President Benigno Aquino said on Sunday that negotiations were the only way to resolve a Philippine sultanate's claim to Sabah as he criticised an armed incursion into the Malaysian state.
- **Singapore's financial sector can be a test-bed for new yuan-linked products**, Singapore's Deputy PM and Finance Minister Tharman Shanmugaratnam said on Fri at the Financial Markets Association (ACI), such as having offshore RMB bond issuance in Singapore with longer maturity tenors and different issuer profiles.
- **Singapore's latest round of housing measures saw sales of new private homes** slumped in Feb to their lowest level since Dec 2011, to 708 units, down 65% from 2,016 in Jan, according to data published Fri by URA. January's tally was 43% higher than the previous month's, despite the rollout of new property curbs on 12 Jan.

| Economic Indicators | | | | | | |
|---------------------|------|--------------------------------------|--------|--------|-----------------|----------|
| Date | Time | Indicators | Month | Actual | Market Forecast | Previous |
| 15 Mar | 0900 | PH Unemployment Rate | Jan | 7.1 | - | 6.8% |
| | 1000 | SG Unemployment Rate sa | 4Q F | 1.8 | - | 1.8% |
| | 1300 | SG Retail Sales m/m sa | Jan | -1.4 | 1.7 | -0.4% |
| | 1300 | SG Retail Sales y/y | Jan | -2.0 | -0.1 | -1.5% |
| | 1530 | TH Foreign Reserves | Mar | 178.0 | - | 179.1bn |
| 18 Mar | 0830 | SG NODX y/y | Feb | | -16.0 | 0.5% |
| | 0830 | SG NODX m/m sa | Feb | | 4.7 | -1.8% |
| | 1630 | HK Unemployment Rate sa | Feb | | - | 3.4% |
| 20 Mar | 1600 | TW Export Orders y/y | Feb | | - | 18.0% |
| | 1700 | MY CPI y/y | Feb | | 1.5 | 1.3% |
| 21 Mar | 0945 | CN HSBC Flash Manufacturing PMI | Mar | | - | 50.4 |
| | 1630 | HK CPI - Composite Index y/y | Feb | | - | 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 | | - | 4.20% |
| | 1530 | TH Foreign Reserves | Mar 15 | | - | - |
| | 1700 | MY Foreign Reserves USD | Mar 15 | | - | 140.3bn |

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