

Asian Markets

Thursday, 07 February 2013

Key Event Ahead

- In Asia, the main focus will be on India's first estimate of GDP for fiscal year ending Mar (130pm), with consensus looking for 5.5%/y rise vs. 6.2% previously. Taiwan stock and bond markets will be closed today and on Fri ahead of Chinese New Year holidays, although foreign exchange market will be open both days.
- Later in the evening in the EUR and GBP space, plenty of central bank actions are in store today, with BOE (800pm) and ECB (845pm) decisions and statements on tap late this evening (ECB Draghi presser 930pm), though these will be preceded by the appearance of BOE's incoming governor Carney in parliament (545pm) to give his take on monetary policy. Meanwhile, EU leaders summit will be underway today and Fri in Brussels, with statement expected at 10pm today from Pres Van Rompuy on the bloc's budget for 2014-2020.

Forex

- USD/Asians were marginally higher on Wed, tugging between positive sentiment** in the equity and concerns over Eurozone's political uncertainty, while the USD/JPY pair zoomed higher overnight on news that BoJ governor Shirakawa will quit his post three weeks before his term expires in Apr. With market focusing on the European session on central bank announcements, USD is likely to stay supported given the preference for a strong dollar for export competitiveness. In yesterday's session, the USD/KRW pair was at 1,088.10 up slightly from 1,087 late Tue as it traded a wide range of 1,083.50-1,091.50. USD/TWD ticked higher to 29.622 from 29.585 late Tue. USD/THB was also higher, trading at 29.78 late Wed from 29.74 on. MYR weakened on Wed, to 3.0957/USD vs 3.0870 late Tue, as the prospects of a looming general election continued to pressure on sentiment.

SGD

- SGD weakened through most of the session largely on the back of developments** in the Japan where BoJ governor Shirakawa announced his departure ahead of the end of his term in Apr, which provided the support for USD/JPY. SGD exited at lows of 1.2390/USD

Foreign Exchange Rates (as of 06 Feb 2013)					
FX	Asian Close	Asian High	Asian Low	NY High	NY Low
SGD	1.2376	1.2385	1.2365	1.2390	1.2371
MYR	-	-	-	-	-
IDR	-	-	-	-	-
THB	29.77	29.78	29.75	-	-
PHP	40.65	40.66	40.63	-	-
TWD	29.622	29.622	29.476	-	-
KRW	1087.95	1091.50	1083.50	-	-
HKD	7.7534	7.7546	7.7534	-	-
CNY	-	-	-	-	-

UOB's Estimation of SGD NEER (as of 07 Feb 2013) Assuming 2.0% on each side of the pivot point	
Lower-End	1.2637
Upper-End	1.2142
Mid-Point	1.2385

Market Holiday	Date	Event
SG/MY/HK/CN	11-12 Feb	Chinese New Year
CN/TW	13-15 Feb	Chinese New Year
SK	1 Mar	Independence Move Day

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 06 Feb 2013)	Closing	% chg	ytd % chg
FTSE Straits Times Index	3276.53	+0.12	+3.46
FTSE Bursa Malaysia KLCI Index	1614.14	-1.18	-4.43
Jakarta SE Composite Index	4498.98	+0.44	+4.22
Thailand SET Index	1500.35	-0.36	+7.79
Philippines SE PSEI Index	6431.35	-0.60	+10.64
Taiwan SE Weighted Index	7906.65	+0.25	+2.69
Korea SE KOSPI Index	1936.19	-0.10	-3.05
Hong Kong Hang Seng Index	23256.93	+0.47	+2.65
Shanghai SE Composite Index	2434.48	+0.06	+7.29
India Sensex 30 Index	19639.72	-0.10	+1.10

late Wed, down 0.2% from 1.2366 late Tue, after having spent the session at 1.2371-1.2390. With market closely watching the ECB and BOE late this evening as well as incoming BOE Governor Carney's statement, downside pressure is likely on Asian currencies given a preference for a strong USD to support exports. This morning the SGD NEER index hovered at around the midpoint of the policy band, marginally higher from yesterday when it was below. For now, S\$ index is likely to continue to hover around the midpoint at +0.25% to -0.5% range, which implies USD/SGD range of 1.2360 to 1.2440.

SGS

- **Markets still well behaved within a tight range.** Highs and lows being faded until something captures the market imagination. SGS lived up to expectations with sensitivities around 2.00% UST particularly acute. The September issues (2020, 2024, 2030) look to be first responders in a selling market, probably market positioning until flows change the landscape. Today, look for SGS to open higher, market activity might start to wind down as we head into the long Chinese New Year weekend, and PDs being tired of losing the bid-offer spreads by pushing overnight moves only to see themselves uncovered on next day reversals.
- Opening levels 2y 99.93/01 0.29/0.25 5y 107.95/15 0.44/0.39 10y 114.30/50 1.51/1.49 15y 115.30/60 2.23/2.20 20y 107.00/40 2.39/2.36 30y 99.40/00 2.78/2.75.

RMB

- **RMB eased to 6.2317/USD late Wed from 6.2294 on Tue, on a combination of weaker fixing** as well as a softer JPY after BoJ Governor Shirakawa said he will quit before his term expires in Apr. The central parity was set at 6.2881/USD on Wed morning, slightly weaker compared to Tuesday's fix of 6.2850. However, PBoC's quarterly statement released yesterday highlighted concerns on China's inflationary pressures, which are likely to keep RMB supported in the medium term. However, near term the local unit is likely to hold steady against a backdrop of Japan's weak yen policy. Offshore NDF continued to price in a 1.4% depreciation for the Chinese currency over the 12 months while CNH was largely flat at 6.2160/USD on Wed vs. 6.2170 late Tue.

Equities

- **Asian markets mostly rose Wed on bargain hunting following big losses** in the previous session, with Japan's stock market the big winner of the day, as the yen tumbled after BoJ governor Shirakawa said he will step down early. Nikkei 225 soared 3.37%, or 416.83

points, to 11,463.75, its highest close since Sep 2008 soon after the collapse of US bank Lehman Brothers and at the height of the global financial crisis. Hang Seng added 0.47%, or 108.40 points, to 23,256.93, while Shanghai edged up 1.35 points to 2,434.48. Kospi lost 1.99 points to close at 1,936.19. STI edged up 3.87 points to 3,276.53 on a volume of 4.69 billion shares. Thai SET ended down 0.4% at 1500.35.

Economic News

- **PBoC said on Wed China's monetary policies need to focus on preventing risks from inflation** and authorities need to monitor factors that could push prices higher. The central bank said potential labor shortages and imported inflation stemming from ample global liquidity could be the factors driving up domestic prices in the future.
- **Major Chinese cities may impose a fresh round of property tightening curbs soon**, the Shanghai Securities News said Wed, citing a source close to the Beijing housing bureau. Beijing and other first tier cities, where housing prices have rebounded too quickly in recent months, will launch a fresh round of property curbs to control demand and raise the barrier for home purchases, the paper said.
- **China expressed serious concern Wed after North Korea stepped up** its rhetoric and threatened to go beyond a third nuclear test in response to what it sees as "hostile" sanctions imposed after a December rocket launch.
- **China started building 7.81mn public housing units in 2012 and completed the construction of 6.01mn** of such units during the same period, the Ministry of Finance said in a statement Wed. China's fiscal expenditure on public housing construction totaled RMB380bn in 2012, up 13.7% from 2011, according to the statement. For 2013, it plans to build 6mn public housing units and complete 4.6mn units, as part of its plan to provide more low-cost homes. China had planned to start construction on 7mn public housing units and to complete construction on 5mn units in 2012, after starting 10.43mn units and completing 4.32mn units in 2011.
- **Trading of the RMB in Taiwan got off to a slow start Wed**, with many traders preferring to do business in Hong Kong for greater liquidity and established infrastructure. Only US\$16 million worth of RMB changed hands in the open market, at rates largely the same as CNH, according to Taipei Forex Inc. Most transactions Wed took place directly between Taiwanese banks and BOC Taipei branch, with around US\$70 million worth

of RMB transacted this way, based on onshore China's quotes to banks that have documents showing they need the RMB for trade settlement with China. At 0700 GMT, the RMB was trading at 6.2155/USD in Taiwan, compared to CNH at 6.2140/6.2160, and onshore rate 6.2275/6.2335.

- **Japan PM Shinzo Abe urged China on Wed not to stoke tension** over disputed East China Sea isles, a day after Japan said a Chinese vessel directed radar normally used to aim weapons at a target at a Japanese navy ship.
- **HK govt has approved a 7% rise in the city's minimum wage**, taking hourly wages HK\$2 higher to HK\$30 and take effect from May 1. The adjusted statutory minimum wage is set to benefit about 223,100 workers.
- **India's central bank said it would consider imposing value and quantity restrictions on gold imports** by banks, which account for 60% of India's imports of gold, under extreme conditions, as the world's biggest consumer of gold battles a record high current account deficit. RBI will also consider setting up a gold bank to monetise about 20,000 tonnes of idle stocks

lying in vaults, it said in a report on issues related to gold imports in India.

- **India's economic growth is likely to slow sharply to 5.4% in this fiscal year through March**, although recent reform measures and an improvement in global conditions will lead to a mild recovery next year, IMF said Wed. The finance ministry expects the economy to grow about 5.8% this fiscal year, while the RBI is less optimistic with a 5.5% forecast. For the next fiscal year starting 1 Apr, the IMF has an estimate of 6%, lower than the government's 6.5%-7% estimate.
- **Bank of Thailand Gov. Prasarn Trairatvorakul said Wed the central bank is not under pressure** after Finance Minister Kittiratt Na-Ranong pushed for a policy rate cut to slow the baht's strength against the dollar.
- **Bank Indonesia will tell local lenders to create an onshore reference rate to settle rupiah forward transactions** domestically as rates set by the Association of Banks in Singapore are investigated. The fixing will be set by a group of local lenders and can be used as a benchmark to settle foreign-exchange forwards transactions within the country, Deputy Governor Halim Alamsyah said yesterday.

Economic Indicators						
Date	Time	Indicators	Month	Actual	Market Forecast	Previous
07 Feb	-	ID Foreign Reserves USD	Jan		-	112.78bn
	1130	TH Consumer Confidence	Jan		-	70.6
	1700	SG Foreign Reserves USD	Jan		-	259.31bn
	-	Hk Foreign Currency Reserves USD	Jan		-	317.3bn
	-	PH Foreign Reserves USD	Jan		-	83.8bn
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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