

Asian Markets

Thursday, 03 January 2013

Line-Up For The Day

- It will be a relatively light day for Asian data and will center on the releases of purchasing managers' indices for Singapore, and non-manufacturing PMI for China and retail numbers for Hong Kong.
- Hong Kong's retail sales numbers for November 2012 will be released later today at 4.30pm** with market expecting retail sales value to grow 4.2% y/y (vs October's 4.0%) and retail sales volume to grow 3.7% y/y (vs October's 3.6%) due to an improvement in seasonal demand.
- In Singapore, the December purchasing managers' index (PMI) will come out at 9.30pm with estimates of an improved number of 49.5 compared to previous month's 48.8.** Electronics sector PMI is also expected to reach 47.7, up from the 47.4 in November. Although expected to strengthen, PMI would still be in a contraction mode at below 50.
- Tomorrow**, we are expecting the December HSBC Service PMI coming out from China and Hong Kong PMI.
- China and Japan remains closed today** and will re-open on Fri.

Forex

- Asian currencies generally appreciated against the greenback yesterday except for the Japanese yen**, as optimism that the US may avoid falling into a recession rose due to the budget compromise on Wednesday. We tend to see a sell-off in the USD and JPY, both perceived as 'safe-havens', when risk appetite is strong. With that, the IDR rallied 1.47% against the USD, making it the best performer in Asia yesterday.
- At closing on Wed, IDR reached 9,653/USD, while INR gained 0.6% to touch 54.685/USD. The PHP edged up slightly to 41.005/USD and TWD ended at 29.062/USD. SGD ended at 1.2205/USD.

SGD

- USD/SGD traded a narrow range of 1.2202-1.2222 during the Asian session on Wed**, and as mentioned yesterday, the currency pair was not affected much by

Foreign Exchange Rates (as of 02 Jan 2013)					
FX	Asian Close	Asian High	Asian Low	NY High	NY Low
SGD	1.2205	1.2223	1.2201	1.2210	1.2195
MYR	3.0340	3.0630	3.0330	-	-
IDR	9645	9680	9640	-	-
THB	30.31	30.55	30.31	-	-
PHP	-	-	-	-	-
TWD	29.090	29.142	28.998	-	-
KRW	-	-	-	-	-
HKD	-	-	-	-	-
CNY	-	-	-	-	-

UOB's Estimation of SGD NEER (as of 03 Jan 2013) Assuming 2.0% on each side of the pivot point	
Lower-End	1.2554
Upper-End	1.2061
Mid-Point	1.2303

Market Holiday	Date	Event
CN	1-3 Jan	New Year's Day
MY / ID	24 Jan	Birthday of Mohammed
MY	27-28 Jan	Thaipusam Day

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%	10 Jan	5.75%
THB 1-Day Repo	2.75%	09 Jan	2.75%
PHP O/N Reverse Repo	3.50%	24 Jan	3.50%
TWD Discount Rate	1.88%	21 Mar	1.88%
KRW Base Rate	2.75%	11 Jan	2.75%
HKD Base Rate	0.50%	-	0.50%
CNY 1-Yr Wking Capital	6.00%	-	6.00%

Stock Indices (as of 02 Jan 2013)	Closing	% chg	ytd % chg
FTSE Straits Times Index	3201.74	+1.09	+1.09
FTSE Bursa Malaysia KLCI Index	1674.72	-0.84	-0.84
Jakarta SE Composite Index	4346.48	+0.69	+0.69
Thailand SET Index	1407.45	+1.11	+1.11
Philippines SE PSEi Index	5860.99	+0.83	+0.83
Taiwan SE Weighted Index	7779.22	+1.04	+1.04
Korea SE KOSPI Index	2031.10	+1.71	+1.71
Hong Kong Hang Seng Index	23311.98	+2.89	+2.89
Shanghai SE Composite Index	-	-	-
India Sensex 30 Index	19714.24	+0.68	+1.48

the release of the 4Q12 Singapore advanced GDP numbers. On a trade-weighted basis, SGD NEER is trading at around 0.79% above the midpoint this morning and is expected to trade between the 0.5% to 1.0% range implying the USD/SGD range of 1.2240 – 1.2179 based on current FX levels.

SGS

- **Are we going to reprice out of this range? 2.00%/1.90% in 10y Treasuries is still pretty low** even if u were from the cult of lower for longer. We are right at the borders so it will not be long before all is made clear. The SGS saw net selling yesterday off the passage of the fiscal postponement bill. Yields were higher by around 4bp in >10y and around 2bp in <10y. Curve sits on the steep end, but focus is directional for now. SGS has not seen much of a repricing off the low yields, Bonds swaps have widened nicely with IRS making better grounds to higher yields. Volatility in SGS is sorely missed, though dips are likely to be shallow, with Euroland mired in contraction territory and a replay of the debt ceiling posturing. Opening levels: 2y 101.88/96 0.29/0.25; 5y 108.62/82 0.33/0.28; 10y 116.15/35 1.34/1.32; 15y 118.95/25 1.96/1.94; 20y 110.95/35 2.13/2.10; 30y 105.80/40 2.47/2.44.

Equities

- **Asian equity indices started the new year with cheers.** In particular, the Hang Seng Index jumped to a 19-month high and added 655.06 points to reach 23,311.98. That's a 2.9% rise in a single day. Also, South Korea's KOSPI ended Day 1 with a 9-month high and rose 1.7% to reach 2,031.10. The Shanghai Composite Index also rose 1.6% to 2,269.13. Asian markets had reacted positively after lawmakers in Washington broke the stalemate to pass a bill to address the fiscal cliff.
- With the DJIA jumping 2.4% on Wednesday, the largest one-day percentage gain in over a year, Asian stocks look set for another day of rally today.

Economic News

- **Singapore's 4Q GDP was released yesterday and registered a growth of 1.1% y/y.** 3Q GDP growth was revised downwards to 0.0% y/y and with that, the island-state narrowly averted a technical recession and grew at an annualized rate of 1.8% q/q. The 3Q downward revision came mainly from the manufacturing sector where on-year growth was revised from an already weak -0.9% to -1.6% (in q/q saar terms, -9.6% to -9.9%). Services sector on-year growth was also revised slightly downwards from 0.3% to 0.2% (in q/q saar terms, -3.5% to -3.9%). Full year 2012 growth was estimated to reach 1.2%, the worst in 3 years since

the global financial crisis caused the GDP to contract by 1% in 2009. This year, The Singapore government expects 2013 GDP growth to be in the range of 1% to 3%. We are more optimistic and our forecast remains at 3.0% as we believe a turnaround in manufacturing activity in the second half of this year should provide a boost to overall growth. However, on-going weakness in global demand should continue at least until the second half of the year, providing headwinds to Singapore's externally-oriented sectors such as manufacturing, and wholesale & retail trade.

- **Indonesia's inflation slowed for the 2nd month to reach 4.3% y/y in December**, slightly lower than the 4.32% y/y during the previous month. However, it was still higher than the median estimates of 4.2% from a poll of 15 economists. Also released was the dismal export numbers where exports fell 4.6% in November, continuing the 8th month of consecutive decline. Meanwhile, imports grew 9.9% in the same month, generating a deficit of US\$478.4 million. We believe the slight drop in prices could be temporary and anticipated increase in electricity tariffs and minimum wages plus the possible reduction in fuel subsidies would see inflation rate going northwards in the coming months. In addition, continued current account deficits will continue to weigh on the IDR in the near-term. Already, the IDR had declined about 6% in 2012 and was one of the worst-performing Asian currency.
- **Thailand also released their inflation numbers yesterday, which came in at a 13-month high of 3.63% in December**, exceeding the median estimate of 3.22% by 12 economists. The inflation rate was also a sharp jump from the 2.74% seen in November as subsidies failed to counter the rising food and fuel prices. Upcoming impact from the new round of increases in the daily minimum wage to 300 baht from the start of 2013 could trigger a possible wage-price spiral as businesses pass on cost increases to end consumers. Nevertheless, the Thailand Ministry of Commerce said that the wage increase impact could be minimal and inflation would be between 2.8% to 3.4% in 2013. From our internal estimates, we beg to differ and maintain our full year inflation forecast of 3.8%. The BoT had already cut its benchmark interest rate twice in 2012 to help boost the economy and will be facing a potentially difficult year in 2013 as weak external demand continues to plague exporters and higher prices hurt both consumers and producers.
- **China's December non-manufacturing PMI came in this morning to register 56.1**, higher than the 55.6 reached a month ago.

Economic Indicators						
Date	Time	Indicators	Month	Actual	Market Forecast	Previous
02 Jan	0800	SG GDP q/q (annualized)	4Q A	1.8	1.6	-6.3%
	0800	SG GDP y/y	4Q A	1.1	1.4	0.0%
	1100	ID Exports y/y	Nov	-4.6	-7.0	-9.6%
	1200	ID Imports y/y	Nov	9.9	7.0	10.8%
	1200	ID Total Trade Balance USD	Nov	-478	-409	-1884mn
	1200	ID CPI y/y	Dec	4.3	4.2	4.3%
	1200	ID Core CPI y/y	Dec	4.4	4.4	4.4%
	1209	TH CPI y/y	Dec	3.6	3.2	2.7%
	1209	TH Core CPI y/y	Dec	1.8	1.8	1.9%
03 Jan	0900	CH Non-manufacturing PMI	Dec		-	55.6
	1630	HK Retail Sales - Value y/y	Nov		4.2	4.0%
	1630	HK Retail Sales - Volume y/y	Nov		3.7	3.6%
	2130	SG PMI	Dec		49.5	48.8
04 Jan	0945	CH HSBC Services PMI	Dec		-	52.1
	1030	HK PMI	Dec		-	52.2
	1620	TW Foreign Exchange Reserves USD	Dec		-	400.96bn

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