

Asian Markets

Thursday, 10 January 2013

Line-Up For The Day Ahead

- Today, both China and the Philippines will release their trade numbers. China's exports are expected to grow 5% in Dec, and the release will be at 10am SIN time. South Korea will release Nov money supply growth numbers this morning while we are also looking at Nov industrial production numbers coming out from Malaysia. More importantly, Bank Indonesia will hold their monetary policy meeting today and we believe that policy rates will remain unchanged at 5.75%. Separately, the United Nations will publish the Dec global food price index today. The food price index had been on a declining trend since a recent high reached in Feb 2012.

Forex

- The US Dollar Index (DXY) continued its strength and closed higher yesterday at 80.60. On a technical basis, this strength will likely persist and our near term outlook is a rising DXY.
- At closing yesterday, THB and TWD traded flattish at 30.40/USD at 29.11/USD respectively. The SGD also strengthened slightly to close at 1.2274/USD.

SGD

- The USD/SGD traded lower at a range of 1.2265 – 1.2287 yesterday. Near term outlook on a rising USD/SGD is still positive.** On a trade-weighted basis, the SGD NEER is trading at a around 0.37% above the midpoint this morning, quite similar as yesterday morning. We expect it to trade between the 0% to 0.5% range implying the USD/SGD range of 1.2331 – 1.2270 based on current FX levels.

SGS

- There has been more evidence of money put to work as both risk and fixed income got bid higher. Momentum is waning through lack of news flows and strong anchoring behavioural effect on participants. The SGS hovers directionless. We're back to trading within the 3bp bid offer spreads, which will favour bond holders who are paid to wait. Views towards higher yields may have better luck expressing themselves in IRS or via bondswap wideners. Today we have the 28 days and 84 days MAS bill auctions. Last week cuts were 0.19%

Foreign Exchange Rates (as of 09 Jan 2013)					
FX	Asian Close	Asian High	Asian Low	NY High	NY Low
SGD	1.2274	1.2287	1.2265	1.2283	1.2262
MYR	3.0370	3.0430	3.0340	-	-
IDR	9650	9740	9645	-	-
THB	30.40	30.47	30.34	-	-
PHP	40.78	40.85	40.77	-	-
TWD	29.110	29.127	29.003	-	-
KRW	1061.65	1063.80	1061.00	-	-
HKD	7.7519	7.7519	7.7512	-	-
CNY	6.2260	6.2262	6.2211	-	-

UOB's Estimation of SGD NEER (as of 10 Jan 2013) Assuming 2.0% on each side of the pivot point	
Lower-End	1.2585
Upper-End	1.2091
Mid-Point	1.2333

Market Holiday	Date	Event
MY / ID	24 Jan	Birthday of Mohammed
MY	27-28 Jan	Thaipusam Day
MY	01 Feb	Federal Territory 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%	20 Feb	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 09 Jan 2013)	Closing	% chg	ytd % chg
FTSE Straits Times Index	3220.41	+0.46	+1.68
FTSE Bursa Malaysia KLCI Index	1689.93	+0.06	+0.06
Jakarta SE Composite Index	4362.93	-0.79	+1.07
Thailand SET Index	1423.46	+0.43	+2.27
Philippines SE PSEi Index	6091.18	+0.70	+4.79
Taiwan SE Weighted Index	7738.64	+0.22	+0.51
Korea SE KOSPI Index	1991.81	-0.31	-0.26
Hong Kong Hang Seng Index	23218.47	+0.46	+2.48
Shanghai SE Composite Index	2275.34	-0.03	+0.27
India Sensex 30 Index	19666.59	-0.38	+1.23

and 0.25% respectively. Liquidity is still favourable and parking spaces are limited, so expectations are for similar yields with possibility that we try to reclaim the 0.20 handle on the 28 days. 28 days at 0.19/0.22 84 days at 0.25/0.28. Opening levels: 2y 101.86/94 0.29/0.24; 5y 108.58/78 0.33/0.28; 10y 115.60/80 1.39/1.37; 15y 118.05/35 2.03/2.00; 20y 109.80/20 2.20/2.18; 30y 103.75/35 2.57/2.54.

RMB

- This morning, the PBoC fixed the RMB mid-point at 6.2793/USD, lower than previous mid-point of 6.2814. Previous RMB close was 6.2262.

Equities

- **Another day of mixed results in Asian equities on Wednesday as profit-taking in several markets continued.** The MSCI Asia ex Japan reversed 3 days of consecutive losses to reach 474.48, and is still trading within the uptrend that started on 16th Nov 2012. For gainers, the Philippines stock exchange was tops and gained 0.70% as all its constituent sectors grew between 0.16% and 0.94%. The Nikkei 225 was next by gaining 0.67%, boosted by returns coming from Financials (+1.89%), Industrials (+1.33%), and Healthcare (+0.69%). Other gainers include the Hang Seng index (+0.46%), Straits Times index (+0.46%), Stock Exchange of Thailand (+0.43%), Australia's ASX 200 (+0.38%).
- The top three gainers in the STI sectors were consumer goods (+1.82%), telcos (+0.83%), and financials (+0.79%). Industrials declined 0.76% while healthcare remained flat. Although the STI is still trading in the uptrend that started on 16th Nov 2012, it's facing some technical weakness and may likely trade weaker over the next few trading days.

- For losers, South Korea's KOSPI index fell 0.31% yesterday as almost all sectors declined except for gains seen in the Utilities (+1.40%) and Healthcare (+1.38%) sectors.

Economic News

- **Malaysia's November exports surpassed consensus expectations of 2.3% by registering a growth of 3.3%**, as electronics and petroleum products shipments increased. Year-on-year export to major countries grew except for Japan, where exports fell 16.2%. November trade balance came in at MYR9.28 billion, higher than estimates of MYR8.80 billion.
- **Bank of Thailand kept its policy rate unchanged at 2.75%** in yesterday's monetary policy meeting, a decision expected by us and 21 other economists surveyed. Although Thai inflation registered a 13-month high in December last year at 3.63%, core inflation remained at a healthy 1.78%, within BoT's target of 0.5% to 3.0%. The BoT had already cut rates twice last year, the latest being a 25bps cut in October 2012. BoT also expects exports to recover in the first half of this year.
- This morning, **South Korea's export prices fell by 6.2% y/y in Dec** and were the largest decline since Apr 2010.
- **Philippines' Nov exports grew 5.5% y/y.** With that the Philippines central bank lowered their 2012 exports forecast to 8%. Although electronics exports registered a strong increase of 13.3% y/y in Nov, it is expected to have no growth over 2011 due to sluggish electronics demand. Nevertheless, the electronics segment is expected to recover and grow between 5% and 6% in 2013.

Economic Indicators						
Date	Time	Indicators	Month	Actual	Market Forecast	Previous
09 Jan	0700	SK Unemployment Rate s/a	Dec	3.0	3.0	3.0%
	1201	MY Exports y/y	Nov	3.3	2.3	-3.2%
	1201	MY Imports y/y	Nov	4.3	4.4	5.7%
	1200	MY Trade Balance	Nov	9.28	8.80	9.58bn
	1530	THB 1-Day Repo	Jan	2.75	2.75	2.75%
10 Jan	0900	PH Total Exports y/y	Nov		20.1	6.1%
	1130	TH Consumer Economic Confidence	Dec		-	69.4
	1200	MY Industrial Production y/y	Nov		5.9	5.8%
	-	IDR O/N Rate	Jan		5.75	5.75%
11 Jan	0900	KRW Base Rate	Jan		2.75	2.75%
	0930	CN CPI y/y	Dec		2.3	2.0%
	0930	CN PPI y/y	Dec		-1.8	-2.2%

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