

Asian Markets

Friday, 11 January 2013

Line-Up For The Day Ahead

- China will release its Dec inflation numbers this morning (both consumer and producer prices). Consensus estimates inflation to rise slightly higher to 2.3% from 2.0% in the previous month. Later on, India will also release its Nov industrial production numbers where it is estimated to grow by a mere 0.2%.

Forex

- The US Dollar Index (DXY) closed lower yesterday as Asian currencies were supported by the release of China's trade numbers. Nevertheless, the DXY is still trading tightly within an uptrend and our near term outlook is still positive.
- In the past one week, Asian currencies generally appreciated against the USD with the INR (+0.92%), THB (+0.69%), and PHP (+0.61%) gaining the most. SGD gained around 0.36% during the five days. Weakest performance came from the IDR (-0.80%) and JPY (-0.89%).
- At closing yesterday, the THB appreciated against the USD slightly and reached 30.34/USD while the TWD remained quite flat at 29.088/USD. The SGD also strengthened slightly to close at 1.2258/USD.

SGD

- The USD/SGD traded lower at a range of 1.2253 – 1.2288 yesterday. Near term outlook on a rising USD/SGD is still positive.** On a trade-weighted basis, the SGD NEER is trading at around 0.54% above the midpoint this morning, higher than yesterday morning. We expect it to trade between the 0.5% to 1.0% range today, implying the USD/SGD range of 1.2231 – 1.2170 based on current FX levels.

SGS

- Equities continued their grind higher despite tepid data. UST prices corrected although 30y auction went through reasonably well. Look for further consolidation with Bernanke due to speak on Monday. SGS will be looking at overnight moves in the UST for better entry points in the belly. Market remains skewed towards duration shortening. The great SGS sale at the start of the year probably cleared out overweight long

Foreign Exchange Rates (as of 10 Jan 2013)					
FX	Asian Close	Asian High	Asian Low	NY High	NY Low
SGD	1.2258	1.2291	1.2255	1.2263	1.2224
MYR	3.0218	3.0420	3.0218	-	-
IDR	9650	9709	9650	-	-
THB	30.34	30.45	30.28	-	-
PHP	40.68	40.83	40.67	-	-
TWD	29.088	29.110	28.979	-	-
KRW	1060.40	1063.00	1060.30	-	-
HKD	7.7518	7.7520	7.7515	-	-
CNY	6.2230	6.2261	6.2220	-	-

UOB's Estimation of SGD NEER (as of 11 Jan 2013) Assuming 2.0% on each side of the pivot point	
Lower-End	1.2585
Upper-End	1.2545
Mid-Point	1.2294

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%	12 Feb	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 10 Jan 2013)	Closing	% chg	ytd % chg
FTSE Straits Times Index	3226.25	+0.18	+1.87
FTSE Bursa Malaysia KLCI Index	1684.57	-0.32	-0.26
Jakarta SE Composite Index	4317.37	-1.04	+0.02
Thailand SET Index	1405.99	-1.23	+1.01
Philippines SE PSEi Index	6018.57	-1.19	+3.54
Taiwan SE Weighted Index	7811.64	+0.94	+1.46
Korea SE KOSPI Index	2006.80	+0.75	+0.49
Hong Kong Hang Seng Index	23354.31	+0.59	+3.08
Shanghai SE Composite Index	2283.66	+0.37	+0.64
India Sensex 30 Index	19663.55	-0.02	+1.22

positions, so volumes are likely to remain anemic until flows or a compelling break in levels. Opening levels: 2y 101.86/94 0.29/0.24; 5y 108.55/75 0.33/0.28; 10y 115.50/70 1.40/1.38; 15y 117.90/20 2.04/2.01; 20y 109.60/00 2.21/2.19.

RMB

- This morning, the PBoC fixed the RMB mid-point at 6.2712/USD, lower than previous mid-point of 6.2793. Previous RMB close was 6.2244.

Equities

- **It was a case of two worlds in Asian equity markets yesterday as all North Asian equity indices gained from the good Chinese trade numbers. That spurred optimism in the companies that would benefit from a 2013 China recovery story.** These companies include China Cosco, China Southern Airlines, Aluminium Corp of China. The Hang Seng and Shanghai Composite indices rose 0.59% and 0.37% respectively. In the Shanghai Composite index, sectors that gained the most were consumer services (+1.01%), technology (+0.90%), healthcare (+0.64%), and Industrials (+0.59%). While in the Hang Seng, basic materials (+1.69%), telco (+1.37%), and industrials (+1.03%) grew the most.
- Taiwan and the KOSPI grew more and registered a 0.94% and 0.75% gain respectively.
- The Straits Times index rose by 0.18% on the back of the good data from China. Top three gainers in the STI sectors were telco (+1.67%), healthcare (+1.45%), and oil & gas (+0.59%).
- 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.
- In addition, as of yesterday, 93.10% of the STI constituents were above their own 200-day moving average. As a contrarian indicator, this shows that market participants are over-bullish and the STI seemed over-bought.
- The MSCI Asia ex Japan continued a 2nd day of

strength, supported by the Chinese trade numbers yesterday, and registered 477.64. It had gained 10.62% since the uptrend started on 16th Nov 2012, and will likely continue in the trend for a while more.

- The S&P rose to a five-year high in yesterday's session and will likely benefit Asian equities today.

Economic News

- **China's exports grew 14.1% y/y in Dec, surprising consensus estimates of just 5.0%.** Additionally, imports grew 6.0% y/y in the same period and also surprising estimates of 3.5%. With that, China's 2012 full year exports grew 7.9% while imports rose 4.3%. Total trade missed the government's target of 10%. We noticed that exports to the European Union rose for the first time since May last year to register a 2.3% growth. The source of growth came mainly from the UK and the Netherlands. Exports to countries such as US, South Korea, Canada, and India also picked up pace. With that, China's trade surplus in 2012 rose for the first time since 2008 and reached US\$231.1 billion.
- **Indonesia yesterday kept its key policy rate unchanged at 5.75% for the eleventh consecutive policy meeting.** We believe a weak currency and higher inflation will drive Bank Indonesia into a quicker pace of interest rate normalization this year, beginning with the FASBI rate hike. We are expecting a 50 bps increase in the FASBI rate to 4.50% and 25 bps hike in the benchmark interest rate to 6.00% before the end of the year.
- Malaysia's industrial production rose 7.5% y/y in Nov, surpassing estimates of a 5.9% rise.
- **The Bank of Korea (BoK) held their monetary policy meeting this morning and kept interest rates unchanged at 2.75%,** a level seen since last Oct. The BoK expects GDP to rise 3.2% this year, compared to 2.4% in 2012. Latest data showed that growth had been supported by industrial production rising for a 3rd consecutive month to a 10-month high in Nov. South Korea's current account surplus also hit a record high. Additionally, a China recovery story this year will support Korean growth as China is their largest exporting destination.

Economic Indicators						
Date	Time	Indicators	Month	Actual	Market Forecast	Previous
10 Jan	0900	PH Total Exports y/y	Nov	5.5	20.1	6.1%
	1130	TH Consumer Economic Confidence	Dec	70.6	-	69.4
	1200	MY Industrial Production y/y	Nov	7.5	5.9	6.4%
	1458	IDR O/N Rate	Jan	5.75	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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