

Asian Markets

Thursday, 17 January 2013

Line-Up For The Day

- **This morning, Singapore's December non-oil domestic exports (NODX) contracted sharply by 16.3% y/y, the worst since October 2011.** It was also below the -7.6% consensus estimates. None of the 18 polled analysts had expected this large decline. This dragged the 3-mma down to -4.2% y/y compared to the +0.4% y/y in the previous month. On an m/m sa basis, NODX grew 1.8% in December, an improvement over the 0.4% contraction in the previous month.
- The poor NODX performance was due to contraction in both electronics NODX (-19.1% y/y) and non-electronics NODX (-14.8%).
- **Hong Kong Chief Executive** is scheduled to have a Q&A session today post his policy address on Wed. **Hong Kong's unemployment data** is due at 4.30 pm SG time.

Forex

- **USD/Asians were broadly lower during the Asian session on Wed.** KRW declined for the third straight session, partly weighed by JPY short-covering following warning from the BoK. KRW ended at 1,058.75/USD, down from 1,056.45/USD on Tue. TWD eased to 29.099/USD from 29.056/USD on Tue. MYR traded lower to 3.018/USD from 3.010/USD late-Tue but IDR firmed to 9,668/USD on Wed. THB was firmer at 29.800/USD at the close of the Asian session on Wed compared to 30.030/USD on Tue.
- **Today, USD/Asians could remain in consolidation in line with the pullback in EUR/USD overnight and ahead of the Chinese data scheduled tomorrow.**

SGD

- **USD/SGD was largely consolidative in a range of 1.2231-1.2259 on Wed but SGD NEER has rebounded to 0.26% above the mid-point this morning from 0.15% in the last few sessions.** SGD NEER within +/- 0.5% implies USD/SGD range of 1.2200-1.2320 based on current levels. Despite the unexpectedly large drop in the Dec NODX this morning, USD/SGD was seen holding steady within yesterday's range.

Foreign Exchange Rates (as of 16 Jan 2013)					
FX	Asian Close	Asian High	Asian Low	NY High	NY Low
SGD	1.2249	1.2259	1.2240	1.2254	1.2231
MYR	3.0180	3.0190	3.0090	-	-
IDR	9650	9701	9650	-	-
THB	29.80	30.02	29.71	-	-
PHP	40.62	40.66	40.60	-	-
TWD	29.099	29.099	28.952	-	-
KRW	1058.75	1060.30	1056.20	-	-
HKD	7.7524	7.7529	7.7523	-	-
CNY	6.2160	6.2177	6.2136	-	-

UOB's Estimation of SGD NEER (as of 17 Jan 2013) Assuming 2.0% on each side of the pivot point	
Lower-End	1.2518
Upper-End	1.2027
Mid-Point	1.2267

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%	14 Feb	2.75%
HKD Base Rate	0.50%	-	0.50%
CNY 1-Yr Wking Capital	6.00%	-	6.00%

Stock Indices (as of 16 Jan 2013)	Closing	% chg	ytd % chg
FTSE Straits Times Index	3208.50	+0.39	+1.31
FTSE Bursa Malaysia KLCI Index	1682.95	-0.17	-0.36
Jakarta SE Composite Index	4410.96	+0.23	+2.18
Thailand SET Index	1416.14	-0.47	+1.74
Philippines SE PSEi Index	6047.52	-0.66	+4.04
Taiwan SE Weighted Index	7700.43	-0.83	+0.01
Korea SE KOSPI Index	1977.45	-0.32	-0.98
Hong Kong Hang Seng Index	23356.99	-0.10	+3.09
Shanghai SE Composite Index	2309.50	-0.70	+1.78
India Sensex 30 Index	19817.63	-0.85	+2.01

SGS

- **Overnight data came out largely on expectations.** It feels like participants are keeping dry powder to trade off the upcoming ceiling tapebombs. SGS had a lethargic day, the second derivative behind the belly richening is slowing with short coverers preferring to sit and wait to be given under mid rates. This is unsurprising when you consider benchmark 10y SGS is back to levels consistent with 1.60s are in UST. That said, SGS is now left to trade the 3bp bid-offer spread day-to-day. Today, we get 28 and 84 days MAS bill auctions. Our last cuts were 0.23% and 0.27% respectively. This represents a significant premium over Monday's 3mths bill cut at 0.19%. We should see some yield pull-back from last auction then.

RMB

- **Spot RMB ended down 29 pips at 6.2165/USD on Wed compared to 6.2136/USD on Tue after the PBoC set a weaker RMB fixing in the morning.** The weaker FDI data in 2012 suggests that appreciation pressure on the currency could ease. In the NDF market, 1Y RMB was slightly lower at 6.2840/USD from 6.2810/USD on Tue. This implies 1.1% RMB depreciation against USD in a year's time. **The central bank continued to set a weaker RMB central parity at 6.2767/USD this morning compared to 6.2745/USD on Wed.**

Equities

- **Asian equity indexes mostly ended lower on Wed.** The Shanghai CI and Hang Seng Index ended down by 0.7% and 0.1% respectively on Wed. The STI rebounded 0.4% as property-related stocks stabilized following the cooling measures announcement. Markets could trade sideways until the important set of economic data from China tomorrow.

Economic News

- **Hong Kong Chief Executive, Leung Chun-ying's first policy address on Wed discussed topics including housing supply, pollution and welfare for the lower-income groups as high housing and living costs in the city has become a thorny issue.** 67,000 private residential units will come into supply in the next 3-4 years and the government is targeting to increase the supply of subsidized public housing units by 100,000 in the 5 years from 2018, from 75,000 planned for 2013-2017. This includes plans for new town developments in the New Territories and land reclamation outside the Victoria Harbour. He said that the government has to restrict external demand and curb speculation as long as the housing shortage persists. However, no further measures to curb property prices was announced yesterday. Next up will be the city's budget in late-Feb which could provide further details on the property and economic measures.
- **China's FDI data** showed its first annual decline since the global financial crisis in 2009. Total FDI to China fell 3.7% to US\$111.72 bn in 2012. While this could be partly cyclical, it also highlighted the risk of China losing its competitiveness in manufacturing due to rising costs.

Economic Indicators						
Date	Time	Indicators	Month	Actual	Market Forecast	Previous
16 Jan	1000	CN Actual FDI y/y	Dec	-4.5	-2.0	-5.4%
17 Jan	0830	SG Non-oil Domestic Exports sa m/m	Dec		4.5	-0.3%
	0830	SG Non-oil Domestic Exports y/y	Dec		-7.6	-2.5%
	1630	HK Composite Interest Rate	Dec		-	0.34%
	1630	HK Unemployment Rate sa	Dec		3.4	3.4%
18 Jan	1000	CN Real GDP y/y	4Q		7.8	7.4%
	1000	CN Real GDP q/q	4Q		2.2	2.2%
	1000	CN Industrial Production y/y	Dec		10.2	10.1%
	1000	CN Retail Sales y/y	Dec		15.0	14.9%
	1430	TH Foreign Reserves	Jan		-	-

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