

Asian Markets

Monday, 21 January 2013

Line-Up For The Week

- **This week, the radar is on South Korea's 4Q12 GDP and China's HSBC flash manufacturing PMI for Jan, both on Thur.** Despite having bottomed-out, growth in South Korea is expected to remain sub-trend at 1.9% y/y in 4Q12 compared to 1.5% y/y in 3Q12. Recent firmer Chinese data should reinforce expectation that the Jan PMI reading would continue to improve in the expansion territory (Dec: 51.5).
- **In Asia, the week kicks off with Dec export orders in Taiwan (mkt: 9.11% y/y, Nov: 11.1% y/y) and Dec CPI for Hong Kong (mkt: 3.7% y/y, Nov: 3.7% y/y) today. US markets are closed for Martin L. King Day today.**
- On Tue, Taiwan's unemployment rate (s/adj) is expected to remain largely steady at 4.25% in Dec (Nov: 4.27%). Data on Wed is expected to show Singapore's headline inflation edging higher to 3.8% y/y in Dec from 3.6% in Nov. Singapore's COE bidding on Wed will continue to be closely watched as lower vehicle quota will continue to put upward pressure on private transport cost. Malaysia's Dec CPI due on the same day will also see an uptick to 1.4% y/y from 1.3% y/y in Nov. Reflecting the firm export orders, Taiwan's industrial production growth is expected to rise to 6.35% y/y in Dec from 5.85% in Nov. Following the unexpectedly large contraction in Dec NODX last week, Singapore's industrial production for the month is expected to slip into 5.1% y/y contraction from +3.1% y/y in Nov. The data is due on Fri.
- On Thur (24 Jan), Indonesia and Malaysia will be closed for a holiday.
- **For monetary policy**, the Philippines central bank is widely expected to keep its benchmark interest rate steady at 3.50% this Thur.

Forex

- **For the past week, we have mixed performance in USD/Asians. THB was the key outperformer in Asia as it registered 1.7% gains while KRW retreated against USD following warnings from the BoK. MYR was up 0.3% against USD for the week.**

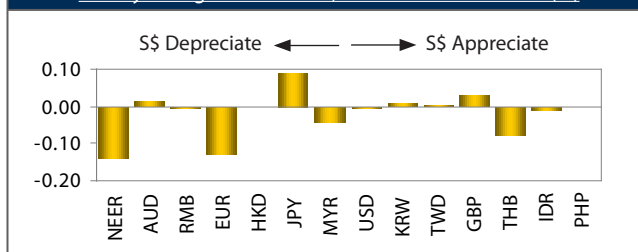
Foreign Exchange Rates (as of 18 Jan 2013)

| FX | Asian Close | Asian High | Asian Low | NY High | NY Low |
|-----|-------------|------------|-----------|---------|--------|
| SGD | 1.2254 | 1.2262 | 1.2233 | 1.2279 | 1.2253 |
| MYR | 3.0120 | 3.0145 | 3.0060 | - | - |
| IDR | 9620 | 9720 | 9610 | - | - |
| THB | 29.76 | 29.87 | 29.72 | - | - |
| PHP | 40.57 | 40.59 | 40.55 | - | - |
| TWD | 29.060 | 29.085 | 28.938 | - | - |
| KRW | 1057.20 | 1057.25 | 1055.30 | - | - |
| HKD | 7.7526 | 7.7528 | 7.7524 | - | - |
| CNY | 6.2152 | 6.2161 | 6.2144 | - | - |

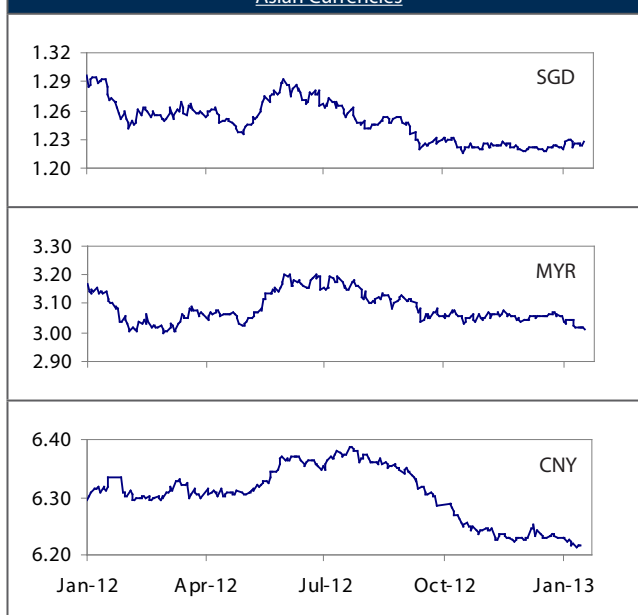
UOB's Estimation of SGD NEER (as of 21 Jan 2013)
Assuming 2.0% on each side of the pivot point

| | |
|-----------------|--------|
| Lower-End | 1.2523 |
| Upper-End | 1.2032 |
| Mid-Point | 1.2273 |

Weekly Change In SGD NEER, SGD / Other Currencies (%)



Asian Currencies



- Sentiment improved in Asia on Fri following an encouraging set of economic data from China. KRW and TWD ended firmer at 1,057.20 and 29.060/USD from 1,058.15/USD and 29.085/USD respectively on Thur. MYR edged higher to 3.0097/USD on Fri from 3.0165/USD late-Thur while THB ended up at 29.760/USD at the close of the Asian session from 29.780/USD on Thur. IDR erased losses on Fri to trade at 9,750/USD from 9,800 on Thur after the Indonesian government announced measure to stop the state energy companies from buying USD on the open market and instead to buy directly from the central bank. Pertamina reportedly accounts for a third of the USD-demand in Indonesia and the measure is expected to stabilize the USD/IDR in the short-term.
- **Some pullback in EUR/USD on Fri could see consolidation in the Asian currencies today. With a fairly light data calendar, the focus is on the BoJ monetary policy meeting which starts off today. Expectation that the BoJ would leave open the door for further monetary easing is likely to keep USD/JPY at its 2 ½ year high.**

SGD

- **SGD depreciated by 0.2% against USD in the past week.** USD/SGD traded to a high of 1.2279 during the Ldn/NY session on Fri from a high of 1.2251 last Thur. Meanwhile, SGD NEER has weakened and is currently trading near to the mid-point with +/-0.5% implying a range of 1.2210-1.2330 for USD/SGD.

SGS

- **Long weekend in the US today. Friday was largely consolidation and taking positions off the table in case of weekend event risks.** SGS avoided the volatility through lack of interest. Price adjustment leader is the IRS, with better sensitivities to intraday UST moves. Until we get better probabilities for day-to-day momentum in a selloff, the 3bp bid offer spread is a high hurdle for setting up new positions. Today, we get 3mths and 6mths Tbill auctions. Last cuts was 0.19% (last week) and 0.29% (fortnight ago) respectively. We're not expecting 3mths to be as aggressive unless we get large inflows between now and the auction.

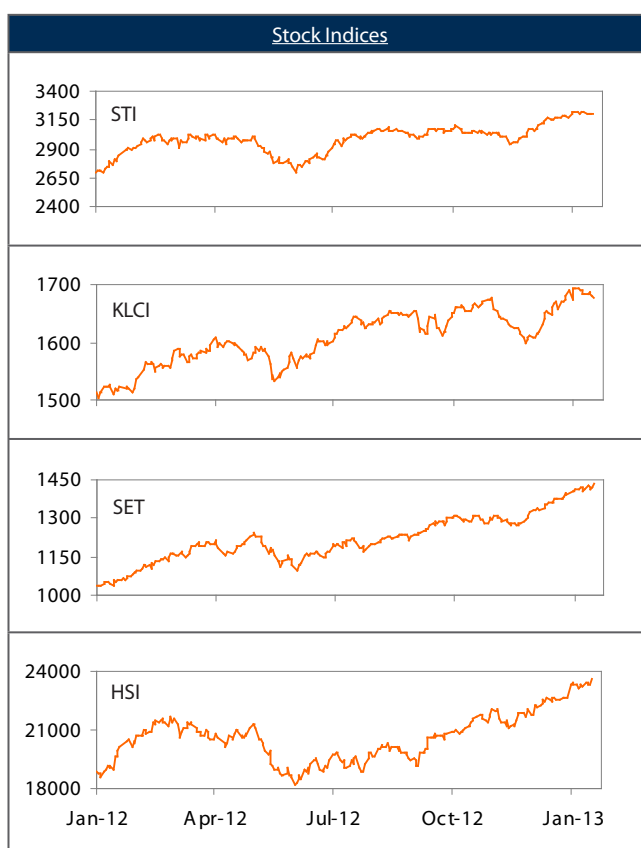
RMB

- **RMB ended up 6 pips at 6.2154/USD on Fri compared to Thur's close of 6.2160/USD.** Encouraging set of 4Q12 GDP and Dec economic data last Fri would support near-term RMB appreciation against USD, particularly as inflation picked up. RMB has appreciated by 0.2% against USD since the start of the year. **Tracking EUR/USD pullback, the PBoC set the**

| 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 18 Jan 2013) | Closing | % chg | ytd % chg |
|-----------------------------------|----------|-------|-----------|
| FTSE Straits Times Index | 3211.22 | +0.50 | +1.39 |
| FTSE Bursa Malaysia KLCI Index | 1676.44 | -0.28 | -0.74 |
| Jakarta SE Composite Index | 4465.48 | +1.53 | +3.45 |
| Thailand SET Index | 1434.44 | +0.95 | +3.05 |
| Philippines SE PSEi Index | 6139.21 | +1.10 | +5.62 |
| Taiwan SE Weighted Index | 7732.87 | +1.53 | +0.43 |
| Korea SE KOSPI Index | 1987.85 | +0.69 | -0.46 |
| Hong Kong Hang Seng Index | 23601.78 | +1.12 | +4.17 |
| Shanghai SE Composite Index | 2317.07 | +1.41 | +2.11 |
| India Sensex 30 Index | 20039.04 | +0.38 | +3.15 |



RMB central parity at 6.2790/USD this morning vs 6.2752/USD last Fri.

Equities

- **Asian equity indexes firmed in line with the improvement in China's data on Fri.** Hang Seng Index and Shanghai CI rose by more than 1% while the STI was up 0.5% on Fri. Prospects of a 3-month extension of the US borrowing limit contributed to the continuation of the positive sentiment in US on Fri night, sending the DJIA up 0.4%. **With US markets closed today, Asian indexes could take cues from headlines coming out of the 2-day monetary policy meeting in Japan.**

Economic News

- **Singapore Minister for National Development Khaw Boon Wan** said that housing supply would catch up with demand in 2-4 years.
- **China's PBoC** will be introducing short-term liquidity operations with 12 banks to participate. This is an important move towards interest rate reform in the country.
- **China's newswire** reported that the country is expected to expand its RQFII program to allow more Hong Kong-based financial institutions to invest in China's stock and bond markets using RMB raised offshore. No timeframe was given for the implementation.

| Economic Indicators | | | | | | |
|---------------------|------|---------------------------------|-------|--------|-----------------|----------|
| Date | Time | Indicators | Month | Actual | Market Forecast | Previous |
| 18 Jan | 1000 | CN Real GDP y/y | 4Q | 7.9 | 7.8 | 7.4% |
| | 1000 | CN Real GDP q/q | 4Q | 2.0 | 2.2 | 2.1% |
| | 1000 | CN Industrial Production y/y | Dec | 10.3 | 10.2 | 10.1% |
| | 1000 | CN Retail Sales y/y | Dec | 15.2 | 15.1 | 14.9% |
| | 1430 | TH Foreign Reserves USD | Jan | 182.3 | - | 180.9bn |
| 21 Jan | 1600 | TW Export Orders y/y | Dec | | 9.11 | 11.10% |
| | 1630 | HK CPI - Composite Index y/y | Dec | | 3.7 | 3.7% |
| 22 Jan | 0830 | TW Unemployment Rate - sa | Dec | | 4.25 | 4.27% |
| | 1700 | MY Foreign Reserves USD | Jan | | - | 139.7bn |
| 23 Jan | 1300 | SG CPI m/m nsa | Dec | | 0.4 | 0.1% |
| | 1300 | SG CPI y/y | Dec | | 3.8 | 3.6% |
| | 1600 | TW Industrial Production y/y | Dec | | 6.35 | 5.85% |
| | 1700 | MY CPI y/y | Dec | | 1.4 | 1.3% |
| 24 Jan | 0700 | SK GDP q/q | 4Q P | | 0.5 | 0.1% |
| | 0700 | SK GDP y/y | 4Q P | | 1.9 | 1.5% |
| | 0945 | CN HSBC Flash Manufacturing PMI | Jan | | - | 51.5 |
| | 1600 | PHP O/N Reverse Repo | Jan | | 3.50 | 3.50% |
| | 1630 | HK Exports y/y | Dec | | 10.5 | 10.5% |
| | 1630 | HK Imports y/y | Dec | | 9.3 | 9.0% |
| | 1630 | HK Trade Balance | Dec | | -50.4 | -44.1bn |
| 25 Jan | 0900 | PH Total Monthly Imports | Nov | | - | 5239.9mn |
| | 0900 | PH Trade Balance | Nov | | - | -832mn |
| | 1300 | SG Industrial Production m/m sa | Dec | | -0.7 | 1.9% |
| | 1300 | SG Industrial Production y/y | Dec | | -5.1 | 3.1% |

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