

# Asian Markets

Thursday, 24 January 2013

## Line-Up For The Day

- **We have a busy data schedule in Asia today, starting off with South Korea's 4Q12 GDP this morning.** Despite having bottomed-out, growth in South Korea has come in below expectation in 4Q12 at 1.5% y/y (mkt:1.9% y/y), similar to 3Q12. Full-year growth at 2.0% was the slowest in 3 years. Growth outlook is expected to remain weak in 1H13 which will provide some room for another 25 bps interest rate cut. The BoK cut its base rate by a total of 50 bps last year.
- **Next up will be China's HSBC flash manufacturing PMI for Jan at 9.45 am.** Recent firmer Chinese data should reinforce expectation that the Jan PMI reading would continue to improve in the expansion territory from its 19-month high of 51.5 in Dec.
- **For monetary policy,** the Philippines central bank is widely expected to keep its benchmark interest rate steady at 3.50% this Thur. This is due at 4 pm SG time.
- **Indonesia and Malaysia** are closed for a holiday today.

## Forex

- **USD/Asians traded mixed on Wed with KRW and THB under pressure following warnings from the respective central banks on the currency strength.** KRW and THB ended down at 1,066.25/USD and 29.820/USD at the close of the Asian session on Wed compared to 1,062.25/USD and 29.740/USD respectively on Tue. TWD ended little-changed at 29.092/USD on Wed compared to 29.095/USD on Tue. MYR firmed slightly to 3.0402/USD on Wed from 3.0415/USD late-Tue. IDR remained steady at 9,615/USD on Wed. A better China PMI reading today would improve the risk sentiment in Asia.

## SGD

- **USD/SGD consolidated in a range of 1.2260-1.2291 on Wed.** SGD NEER is now trading at the stronger side of the band with +/-0.5% implying USD/SGD range of 1.2220-1.2340 based on current FX levels. Strong headline inflation, if sustained in the next two months will likely see the MAS maintaining its current policy stance of a "modest and gradual appreciation of the SGD" at its policy meeting in April.

Foreign Exchange Rates (as of 23 Jan 2013)					
FX	Asian Close	Asian High	Asian Low	NY High	NY Low
SGD	1.2275	1.2291	1.2267	1.2278	1.2260
MYR	3.0400	3.0450	3.0340	-	-
IDR	9615	9660	9615	-	-
THB	29.82	29.83	29.71	-	-
PHP	40.61	40.64	40.59	-	-
TWD	29.092	29.120	28.980	-	-
KRW	1066.25	1067.00	1063.30	-	-
HKD	7.7533	7.7536	7.7529	-	-
CNY	6.2178	6.2194	6.2168	-	-

UOB's Estimation of SGD NEER (as of 24 Jan 2013) Assuming 2.0% on each side of the pivot point	
Lower-End .....	1.2529
Upper-End .....	1.2038
Mid-Point .....	1.2278

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 23 Jan 2013)	Closing	% chg	ytd % chg
FTSE Straits Times Index	3231.23	+0.35	+2.03
FTSE Bursa Malaysia KLCI Index	1635.25	+0.40	-3.18
Jakarta SE Composite Index	4418.73	+0.05	+2.36
Thailand SET Index	1439.20	+0.36	+3.40
Philippines SE PSEi Index	6092.53	-0.20	+4.18
Taiwan SE Weighted Index	7744.18	-0.19	+0.58
Korea SE KOSPI Index	1980.41	-0.81	-0.83
Hong Kong Hang Seng Index	23635.10	-0.10	+4.32
Shanghai SE Composite Index	2320.91	+0.25	+2.28
India Sensex 30 Index	20026.61	+0.23	+3.09

## **SGS**

- **US equities continued their grind higher, UST also managed to hold at recent highs.** This goes to show confirmation bias as news is parsed to suit the bullish argument in either camp. SGS held onto the belly bid tone yesterday. We had the latest CPI print which was above expectations at 4.3% headline YOY. (Un)Fortunately the SGD rates market is insensitive to domestic data. It was also a busy day in the issuance market as the 5y HDB was placed. Announcement size was 1 bio and upsized to 1.2bio. Demand was excellent as market lapped up the almost 30bp pickup over swaps. By way of comparison, you will have to reach out to the 10y bucket in SGS to achieve similar yields despite arguably same credit quality. No damage was done to SGS by the issuance which is again indicative of liquidity searching for cash bonds.

## **RMB**

- **RMB ended up 18 pips at 6.2180/USD on Wed compared to 6.2198/USD on Tue following a stronger fixing in the morning.** In the NDF market, 1Y RMB was steady at 6.2800/USD on Tue and pricing in depreciation of 1.0% against USD from the spot close. Stronger PMI data today could see investors paring back expectation of further monetary easing in China. **The PBoC has set the RMB central parity slightly weaker at 6.2783/USD this morning compared to 6.2762/USD on Wed.**

## **Equities**

- **Asian equity indexes were mixed on Wed.** Nikkei slumped 2.1% while Hang Seng Index eased marginally by 0.1% and the Shanghai CI was up 0.3% yesterday. KLCI stabilized with gains of 0.4% on Wed while STI also registered similar gains. **Overnight gains in the US stock markets should bode well for sentiment in Asia today but the focus is centered on the HSBC flash manufacturing PMI for China.**

## **Economic News**

- **Singapore's December headline inflation reached 4.3% y/y (+0.9% m/m), higher than consensus estimates of 3.8% y/y and prior month's 3.6%.** However, core inflation, which excludes private road transport costs and accommodation, eased to 1.9% y/y, from 2.0% a month ago. However, lagged impact from slower economic growth over the past few quarters would likely put a cap on inflationary pressures this year and we maintain our estimate that headline inflation will average 3.0% y/y in 2013, more optimistic than the lower end of government's forecast.
- **Taiwan's industrial production growth** came in below expectation at 4-month low of 2.39% y/y in Dec (mkt: 6.35% y/y), moderating from 5.87% y/y in Nov. For the full-year, output contracted 0.09%.
- **Newswire reported plans for a new cross-border lending program in Shenzhen's Qianhai Bay development zone that will involve 8-10 banks.** By allowing Qianhai-registered companies to borrow RMB from the Hong Kong banks, this will help to recycle RMB in Hong Kong.
- **BoT** said there is a possibility of FX intervention to stabilize the THB in the short-term but not to dictate the direction. The government will also help to facilitate overseas investment by Thai investors as this would reduce pressure on the THB.
- The **IMF** has revised its global growth forecast for 2013 lower by 0.1% point to 3.5% from its Oct projection. It expects the Eurozone to remain in recession for the second consecutive year. Meanwhile it played down concerns that the easy monetary policies will lead to a "currency war" given that there has not been large capital inflows into the emerging markets.

Economic Indicators						
Date	Time	Indicators	Month	Actual	Market Forecast	Previous
23 Jan	1300	SG CPI m/m nsa	Dec	0.7	0.5	0.1%
	1300	SG CPI y/y	Dec	4.3	3.8	3.6%
	1600	TW Industrial Production y/y	Dec	2.39	6.80	5.87%
	1700	MY CPI y/y	Dec	1.2	1.4	1.3%
24 Jan	0700	SK GDP q/q	4Q P	0.4	0.5	0.1%
	0700	SK GDP y/y	4Q P	1.5	1.8	1.5%
	0945	CN HSBC Flash Manufacturing PMI	Jan		51.7	51.5
	1600	PHP O/N Reverse Repo	Jan		3.50	3.50%
	1630	HK Exports y/y	Dec		9.2	10.5%
	1630	HK Imports y/y	Dec		8.3	9.0%
	1630	HK Trade Balance	Dec		-50.3	-44.1bn
25 Jan	0900	PH Total Monthly Imports USD	Nov		-	5239.9mn
	0900	PH Trade Balance USD	Nov		-	-832mn
	1300	SG Industrial Production m/m sa	Dec		-0.7	1.9%
	1300	SG Industrial Production y/y	Dec		-4.8	3.1%

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