

Asian Markets

Friday, 25 January 2013

Line-Up For The Day

- Data highlight is Singapore's industrial production at 1 pm today.** 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. A sharper pace of contraction could result in downward revision to 4Q12 GDP growth.
- Malaysia and Indonesia return from their holiday today. India's onshore FX and debt markets are closed while its equity markets remain open today.

Forex

- USD/Asians were biased higher on Thur.** KRW touched a low of 1,070.20/USD on Thur, the weakest since the start of the year. Weaker-than-expected 4Q12 GDP data in the morning and soft outlook on the Korean economy in the first half underpinned the pullback in KRW which also faces headwinds from the rebound in USD/JPY. TWD ended lower at 29.138/USD on Thur compared to 29.092/USD on Wed while THB traded lower to 29.790-29.850/USD on Thur vs a low of 29.830/USD on Wed. Firmer EUR/USD overnight is likely to provide some support to AXJs today.

SGD

- USD/SGD was marginally firmer in a range of 1.2265-1.2294 on Thur and continues to edge higher this morning to 1.2310.** SGD NEER has slipped lower to trade at the weaker side of the band with +/-0.5% implying USD/SGD range of 1.2240-1.2370 based on current FX levels. Singapore's Dec industrial production this afternoon would shed some light on the manufacturing sector. However, with growth expected to remain muted this year at around 3.0%, USD/SGD would find little catalyst to trade much lower from here.

SGS

- Markets have been in a goldilocks mode (in the worst possible sense, jobless growth, kicking the can on big issues).** Data is still blowing hot and cold with China better, Japan worse, France worse, Germany better. We've probably rounded the worst on Papa Bear (Subprime), hopefully Mama Bear (PIIGs) is not going to turn around and catch us napping, Baby Bear's

Foreign Exchange Rates (as of 24 Jan 2013)					
FX	Asian Close	Asian High	Asian Low	NY High	NY Low
SGD	1.2275	1.2287	1.2265	1.2294	1.2270
MYR	-	-	-	-	-
IDR	-	-	-	-	-
THB	29.80	29.85	29.79	-	-
PHP	40.63	40.66	40.61	-	-
TWD	29.138	29.138	28.981	-	-
KRW	1068.70	1070.20	1065.80	-	-
HKD	7.7530	7.7531	7.7528	-	-
CNY	6.2179	6.2194	6.2168	-	-

UOB's Estimation of SGD NEER (as of 25 Jan 2013) Assuming 2.0% on each side of the pivot point	
Lower-End	1.2551
Upper-End	1.2059
Mid-Point	1.2300

Market Holiday	Date	Event
MY	27-28 Jan	Thaipusam Day
MY	01 Feb	Federal Territory Day
SG/MY/HK/CN	11-12 Feb	Chinese New Year

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%	14 Mar	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 24 Jan 2013)	Closing	% chg	ytd % chg
FTSE Straits Times Index	3248.39	+0.53	+2.57
FTSE Bursa Malaysia KLCI Index	-	-	-
Jakarta SE Composite Index	-	-	-
Thailand SET Index	1449.09	+0.69	+4.11
Philippines SE PSEi Index	6117.27	+0.41	+5.24
Taiwan SE Weighted Index	7695.99	-0.62	-0.05
Korea SE KOSPI Index	1964.48	-0.80	-1.63
Hong Kong Hang Seng Index	23598.90	-0.15	+4.16
Shanghai SE Composite Index	2302.60	-0.79	+1.48
India Sensex 30 Index	19923.78	-0.51	+2.56

(US fiscal indecision) tantrums have largely been seen in the right context so it remains to be seen if the son grows up to be like the father. SGS did not get started till the afternoon session, price moves were impressive for the underlying volumes. Not being long anything beyond 10y benchmark has taken on religious proportions. For now it will take a minor miracle to see a change in biases. The correction probably has some way to go yet as current levels still represent paltry term premium if your base case is for improving macro environment.

RMB

- **RMB ended flat at 6.2181/USD on Thur vs 6.2180/USD on Wed in heavy volume.** In the NDF market, 1Y RMB was weaker at 6.2860/USD on Tue and pricing in depreciation of 1.1% against USD from the spot close. **The PBoC has set the RMB central parity weaker at 6.2805/USD this morning compared to 6.2783/USD yesterday.**

Equities

- **Despite the initial positive reaction to China's PMI data, Asian stock indexes quickly erased gains due to profit-taking on Thur.** Shanghai CI pulled back after trading to its 8-month high before ending down 0.8% while Hang Seng Index dropped 0.2% on Thur. STI managed to hold onto its 0.5% gains yesterday. Positive finish to the DJIA during the NY session is expected to provide some support to sentiment during the Asian session today.

Economic News

- **The preliminary HSBC China Manufacturing PMI** rose to a 2-year high of 51.9 in Jan from 51.5 in Dec, adding to further signs of growth recovery in the country. This is the third consecutive month that the index has been in the expansion territory above 50. Despite the improvement, there is still caution on the fragile

outlook for external demand. The export orders sub-index was a more muted 50.1 in Jan vs 49.2 in Dec.

- **In line with market's expectation, Bangko Sentral ng Pilipinas (BSP) kept its benchmark borrowing and lending rates unchanged at their record lows of 3.50% and 5.50% respectively on Thur.** It cuts the interest rate on short-term special deposit accounts (SDA) to 3.00% for all tenors from above 3.50% previously, in a move to encourage more bank lending. The central bank revised its inflation forecast for 2013 to 3.0% from 3.1% previously and for 2014, it is expecting inflation at 3.2%, up from 2.9% previously.
- **Ex-PBoC adviser Li Daokui** said that China's economic growth could ease in 2H12. He said the central bank is reluctant to ease monetary policy as a result of higher inflation and home prices. Overall, growth is likely to average 7-8% annually for the next decade. He expects the RMB to maintain a gradual appreciation trend against USD.
- **China** could announce plans to allow local investors to invest directly in overseas markets starting May in the new QDII2 program instead of investing through designated financial institutions under the current QDII program.
- **BoT governor** said the central bank has not detected any sign of attack on the THB which has experienced a sharper pace of appreciation against USD since the start of the year. The government is exploring measures to help private sectors that are affected by the THB's appreciation.
- **India's central bank** has announced some relaxation for foreign institutional investors (FIIs) investing in Indian debt as part of its \$10 bn increase in corporate and government debt limits.

Economic Indicators						
Date	Time	Indicators	Month	Actual	Market Forecast	Previous
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	51.9	51.7	51.5
	1600	PHP O/N Reverse Repo	Jan	3.50	3.50	3.50%
	1630	HK Exports y/y	Dec	14.4	9.2	10.5%
	1630	HK Imports y/y	Dec	11.9	8.3	9.0%
	1630	HK Trade Balance	Dec	-48.0	-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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