

# Asian Markets

Tuesday, 29 January 2013

## Key Event

- In Asia, today's events and data flows are thin and high-light will be India's RBI rate decision at 130pm, which is widely expected to cut its interest rate by 25bps to its repo rate to 7.75% and to 6.75% for rev repo, though it's expected to keep CRR at 4.25%.
- Later in Europe, we have the German GfK consumer confidence survey for Feb, expected to improve slightly to 5.7 from 5.6 previously. Some newsflows are expected on the monetary policy front as ECB chief economist Praet and ECB board members Kranjec and Asmussen will be speaking at various conferences. US data releases later today include Case-Shiller home price index for Nov, which is expected to see the 20-city index edging up 5.5% from +4.3% in Oct, and US consumer confidence survey is seen edging down marginally to 64.0 in Jan from 65.1 in Dec.

## Forex

- **Asian currencies were broadly lower against the USD on Mon**, with concerns over potential intervention and geopolitical risks percolating again in the Korean peninsular dampening sentiment. KRW fell to 1,093.80/USD from 1,074.50 late Friday. THB weakened to 29.98/USD from 29.88 largely on month-end demand for the USD. PHP ended at 40.91/USD, weaker compared to 40.66 last Fri. TWD weakened sharply on Mon, tracking the KRW and USD demand from importers, to close at 29.560/USD, the lowest close since 13 Sep of 29.699, from 29.250 last Fri.

## SGD

- **The USD/SGD pair saw high of 1.2406 overnight session on Mon, the highest since 7 Sep 2012** when the pair touched 1.2438. Factors dragging down the SGD are likely to be led by domestic economic weakness which is expected to lag its peers again this year and also with generally "risk on" mode, SGD's appeal as safe haven is also losing some its shine. Trade weighted S\$ index slipped further, to 0.46% below the midpoint from 0.4% yesterday, and is likely to stay within the lower half of the policy band for now. A 0.0% to -0.75% below the midpoint range implies 1.2325-1.2480.

Foreign Exchange Rates (as of 28 Jan 2013)					
FX	Asian Close	Asian High	Asian Low	NY High	NY Low
SGD	1.2385	1.2388	1.2342	1.2405	1.2378
MYR	3.0430	3.0430	3.0430	-	-
IDR	9670	9730	9659	-	-
THB	29.88	29.91	29.83	-	-
PHP	40.91	40.92	40.68	-	-
TWD	29.990	29.990	29.940	-	-
KRW	1093.80	1093.50	1079.00	-	-
HKD	7.7565	7.7565	7.7545	-	-
CNY	6.2224	6.2239	6.2195	-	-

UOB's Estimation of SGD NEER (as of 29 Jan 2013) Assuming 2.0% on each side of the pivot point	
Lower-End .....	1.2598
Upper-End .....	1.2104
Mid-Point .....	1.2346

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 28 Jan 2013)	Closing	% chg	ytd % chg
FTSE Straits Times Index	3273.91	+0.14	+3.37
FTSE Bursa Malaysia KLCI Index	-	-	-
Jakarta SE Composite Index	4416.94	-0.47	+2.32
Thailand SET Index	1472.05	+0.73	+5.76
Philippines SE PSEi Index	6192.42	+0.40	+6.53
Taiwan SE Weighted Index	7714.67	+0.55	+0.20
Korea SE KOSPI Index	1939.71	-0.36	-2.87
Hong Kong Hang Seng Index	23671.88	+0.39	+4.48
Shanghai SE Composite Index	2346.51	+2.41	+3.41
India Sensex 30 Index	20103.35	-	+3.48

## SGS

- **US durable goods surprise failed to see much grounds made above 1500 for S&P.** Perhaps markets are retuned to measured removal of QE measures, if so then good news is bad news. SGS opened lower and was met with steady selling in the >10y buckets. Some dip buying in the belly interspersed during market lull periods but we managed to close around 7bp higher in the long end for a 3bp steeper 10y vs longer curve. The suffering in 30y bond may run out of steam as we approach the auction levels from a year ago at 2.80% (yesterday closed at 2.73%). Today we get the 2y bond auction. Some book lightning went through in yesterday's selloff, This sees us in the 0.30% zone for the nearby issues, which is where markets will look to onboard today's 2y bond. Expect 0.31%/0.28%.
- Opening levels 2y 101.75/83 0.32/0.27 5y 108.20/40 0.39/0.34 10y 115.35/55 1.41/1.39 15y 116.65/95 2.13/2.10 20y 108.35/75 2.30/2.27 30y 100.20/80 2.74/2.71.

## RMB

- **RMB fell on Mon to close at 6.2226/USD from 6.2205 on Fri**, tracking other regional peers as well as a weaker central parity. This is the sixth consecutive session of RMB decline, as investors are likely to have stepped back given the central bank's view that the RMB is currently at equilibrium. The fixing was set at 6.2818/USD on Mon vs. Friday's 6.2805, and has been on weakening trend for the third day. Offshore CNH was at 6.2248/USD late Mon compared to 6.2140 late Friday. Offshore NDF was pricing in a 1.5% decline for the RMB over the next 12 months. This morning, the RMB fixing came in weaker at 6.2851/USD vs. 6.2818 on Mon.

## Equities

- **Asian equity markets closed on mixed note on Mon, with the Nikkei index breaching 11,000** for first time since April 2010 but promptly gave up all its gains to fall 0.9% to 10,824.31. Kospi fell for the 4th session on Mon, for a 0.4% loss at 1939.71. HSI ended at a 21-month high while Shanghai Composite surged 2.4% to 2346.51 after profits at major industrial enterprises rose by 5.3% in 2012 from a year earlier. Taiex added 0.55%, or 42.09 points, to 7,714.67 and Phil Composite rose 0.4% to close at 6192.42, a new closing high. STI edged up 0.1% or 4.60 points to close at 3,273.91.

## Economic News

- **In his first policy speech to the parliament since taking power**, Japan PM Abe on Monday reminded the Bank of Japan that it's now responsible for achiev-

ing 2% inflation, symbolizing the tough stance the new government is taking to get the central bank to defeat persistent price falls. PM Abe also singled out in his speech the strength of the yen, along with deflation, as the root cause of the prolonged economic slump in Japan.

- **South Korea remains vulnerable to rapid fund flows** following the latest series of quantitative easing measures by advanced nations, including Japan, despite already taking steps to counter excessive capital movements in and out of the country, Ha Sung-keun, a member of the central bank's Monetary Policy Committee said Mon, and that such easing measures also pose a concern to the global economy.
- **A National Bureau of Economic Research working paper suggests that China's house prices** have been severely underestimated. The biggest difference between the official statistics and the new analysis is in big cities such as Beijing and Shanghai. One government property index, known as the Average Selling Price Index, showed home prices rose less than 50% in Beijing between 2006 and 2010. Another government index, the 70-City Index, figured it was around 120% over the same period. The NBER study says prices in China's capital actually rose close to 250%, Dow Jones News reported Monday.
- **Ahead of its rate decision on Tue, India's central bank RBI said in its quarterly economic report** on Mon its space to ease monetary policy to support growth is constrained by the risk of spurring inflation and the government's wide fiscal and current-account deficits, but indicated it could now be more inclined toward supporting economic growth, instead of focusing only on controlling prices, because of the government's recent reforms push.
- **The Paris club has agreed to write off US\$7.9bn of Myanmar's foreign debt**, the group of sovereign creditors said Mon. In exchange, the country has agreed to push through measures agreed with the International Monetary Fund "to allow the upkeep of macroeconomic stability, while creating the institutions necessary to manage economic change," the group said.
- **Philippine central bank said Monday it expects inflation in January to settle within the 2.5% and 3.4% range**, a projection that takes into account higher electricity and water costs, as well as an increase in the prices of cigarettes, liquor and beer with the government's implementation of higher taxes on those products.

- **Indonesia's inflation may accelerate to 1.1% m/m in Jan from 0.54% in Dec** and also earlier pre-flood estimate of 0.9% due to floods in various parts of the country that hurt supplies of goods, Bank Indonesia Gov. Darmin Nasution said Monday.
- **Planned capital investment in Singapore is likely to fall over the next few years**, as the government's curbs on foreign labor and increasingly scarce land for development chill investor interest, Economic Development Board said Mon. Commitments for fixed asset investments will likely reach between US\$11bn and US\$13bn in 2013, compared to US\$16bn recorded in 2012. Investment commitments will remain in the \$11 billion-\$13 billion range over the next five years or so,

said Leo Yip, chairman of EDB.

- **Singapore PM Lee Hsien Loong has admitted the government did not have 20/20 foresight**, resulting in problems with inadequate infrastructure in the country, in his speech at the "Singapore Perspectives" conference on governance organised by the Institute of Policy Studies on Mon.
- **Prices of private resale homes dropped 0.3% in Dec from Nov**, according to the latest Singapore Residential Price Index (SRPI). Resale prices of private homes in the central area saw the biggest decline, down 1.3 per cent last month, though prices of units in the non-central region went up by 0.5 per cent.

Economic Indicators						
Date	Time	Indicators	Month	Actual	Market Forecast	Previous
28 Jan	0500	SK Consumer Confidence	Jan	102	-	99
	1600	TW Leading Index m/m	Dec	0.9	-	0.8%
30 Jan	0700	SK Current Account USD	Dec		-	6877.7mn
	-	CN Leading Index	Dec		-	100.21
31 Jan	0830	TW GDP - Constant Prices y/y	4Q		3.00	0.98%
	1000	PH GDP sa q/q	4Q		1.2	1.3%
	1000	PH GDP y/y	4Q		6.2	7.1%
	1000	PH Annual GDP y/y	-		6.4	3.7%
	1000	SG Unemployment Rate sa	4Q P		2.0	1.9%
	1430	TH Total Exports y/y	Dec		-	27.1%
	1430	TH Total Imports y/y	Dec		-	24.1%
	1430	TH Total Trade Balance USD	Dec		-	627mn
	1530	TH Current Account Balance USD	Dec		-945	392mn
	1530	TH Business Sentiment Index	Dec		-	52.0
	1630	HK Govt Mthly Budget Surp/Def HKD	Dec		-	24.8bn
	1630	HK Retail Sales - Value y/y	Dec		7.6	9.5%
	1630	HK Retail Sales - Volume y/y	Dec		6.5	8.1%
	1800	MYR O/N Policy Rate	Jan		3.00	3.00%

**Jimmy Koh**  
(65) 6539 3545  
[Jimmy.KohCT@UOBgroup.com](mailto:Jimmy.KohCT@UOBgroup.com)

**Suan Teck Kin, CFA**  
(65) 6539 3922  
[Suan.TeckKin@UOBgroup.com](mailto:Suan.TeckKin@UOBgroup.com)

**Ho Woei Chen**  
(65) 6539 3948  
[Ho.WoeiChen@UOBgroup.com](mailto:Ho.WoeiChen@UOBgroup.com)

**Francis Tan**  
(65) 6539 3923  
[Francis.TanTT@UOBgroup.com](mailto:Francis.TanTT@UOBgroup.com)

Disclaimer: This analysis is based on information available to the public. Although the information contained herein is believed to be reliable, UOB Group makes no representation as to the accuracy or completeness. Also, opinions and predictions contained herein reflect our opinion as of date of the analysis and are subject to change without notice. UOB Group may have positions in, and may effect transactions in, currencies and financial products mentioned herein. Prior to entering into any proposed transaction, without reliance upon UOB Group or its affiliates, the reader should determine, the economic risks and merits, as well as the legal, tax and accounting characterizations and consequences, of the transaction and that able to assume these risks. This document and its contents are proprietary information and products of UOB Group and may not be reproduced or otherwise.