

# Asian Markets

Wednesday, 30 January 2013

## Key Event Ahead

- Thin data today in Asia, and South Korea had already released its industrial production data for Dec early this morning, which came in better than expected at 1% m/m vs. expectation of -1.5%, and from 2.3% in Nov. Coupled with an upbeat US housing price index report overnight, this should be positive for sentiment in Asia. One event to note: MAS MD Menon speaks at an investor conference at 845am, and expect some headlines on that in the morning given recent comments from regional central banks in response to the JPY policy.
- Attention will then shift to Ldn/NY session data flows and events, the key being FOMC meeting conclusion early Thur morning, but before that would be US 4Q GDP report and the ADP private payroll report this evening, a checkpoint ahead of the crucial US non-farm payroll report on Fri.

## Forex

- Asia currencies were generally higher on Tue against the USD, as intervention risks remain elevated** given recent comments from regional central banks on the appreciation impact of regional currencies due to Japan's yen policy, the latest of which came yesterday from Taiwan, Indonesia, and Thailand. Interest rate cuts from India's central bank RBI also saw profit taking on the USD/INR, as the rupee settled at 53.73 vs. 53.91 late Mon. Elsewhere, TWD closed firmer at 29.559/USD on Tue, from 29.99 on reported USD selling from the central bank to limit volatility in the TWD. IDR firmed 1.5% to close at 9684/USD from 9832 on Mon, as BI reiterated its recent efforts to contain a weakening IDR. KRW regained some of the ground that it lost on Mon, at 1,083.40/USD late in Asian trading, down from the three-month high of 1,093.50 touched Mon. USD/MYR was higher at 3.0737 from late Friday's 3.0502 as investors covered short USD positions after a long weekend. PHP firmed to 40.735/USD vs 40.91 late Mon.

## SGD

- SGD recovered some lost ground on Tue, after the pair intraday high of 1.2406 on Mon.** The pair settled at day's low of 1.2336 late Tue, from 1.2383 on

Foreign Exchange Rates (as of 29 Jan 2013)					
FX	Asian Close	Asian High	Asian Low	NY High	NY Low
SGD	1.2362	1.2390	1.2355	1.2381	1.2337
MYR	3.0770	3.0810	3.0450	-	-
IDR	9670	9751	9665	-	-
THB	29.84	29.90	29.82	-	-
PHP	40.73	40.91	40.71	-	-
TWD	29.559	29.700	29.430	-	-
KRW	1082.60	1093.30	1082.20	-	-
HKD	7.7599	7.7600	7.7572	-	-
CNY	6.2241	6.2261	6.2225	-	-

UOB's Estimation of SGD NEER (as of 30 Jan 2013) Assuming 2.0% on each side of the pivot point	
Lower-End .....	1.2579
Upper-End .....	1.2085
Mid-Point .....	1.2327

Market Holiday	Date	Event
MY	01 Feb	Federal Territory Day
SG/MY/HK/CN	11-12 Feb	Chinese New Year
CN/TW	13-15 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 29 Jan 2013)	Closing	% chg	ytd % chg
FTSE Straits Times Index	3259.75	-0.43	+2.93
FTSE Bursa Malaysia KLCI Index	1637.34	+0.01	-3.06
Jakarta SE Composite Index	4439.03	+0.50	+2.83
Thailand SET Index	1478.77	+0.46	+6.24
Philippines SE PSEi Index	6234.73	+0.68	+7.26
Taiwan SE Weighted Index	7802.00	+1.13	+1.33
Korea SE KOSPI Index	1955.96	+0.84	-2.06
Hong Kong Hang Seng Index	23655.17	-0.07	+4.41
Shanghai SE Composite Index	2358.98	+0.53	+3.96
India Sensex 30 Index	19990.90	-0.56	+2.90

Mon, tracking a more buoyant market mood after the US housing price index rebounded 5.5%/y in Dec, at a fastest pace since 2006, while comments from regional central banks in recent days also cast spotlight on risks of FX intervention around the region. The S\$ trade weighted index rebounded in tandem to just 0.1% below the midpoint this morning from -0.45% on Tue. For now the S\$ index suggests the USD/SGD to stay within 1.2330-1.2390.

### SGS

- **All eyes are on the "lottery" now. Initial jobless claims trend has goosed up expectations for a decent nonfarm payroll number this Fri.** Thus far, risk is supportive, but will have to wait to see if ADP provides any over reaction to trade off. SGS had its first mild flattening move in a while. 30ys being close to its issue high yields saw some profit taking ahead of the payrolls risk event. Some unwinding of steepeners taking place as the belly failed to outperform. Yesterday's auction cut at 0.30% should prove to be decent entry level, with possibility that its price evolution will mimic the squeezed Feb 2014 issue.
- Opening levels 2y 99.90/98 0.30/0.26 5y 108.20/40 0.39/0.34 10y 115.45/65 1.40/1.38 15y 116.75/05 2.12/2.10 20y 108.60/00 2.28/2.25 30y 100.60/20 2.72/2.69.

### RMB

- **RMB fell on Tue, to close at 6.2243/USD from Monday's close of 6.2226**, after fixing was set weaker for the fourth straight session. The central parity rate was fixed lat 6.2851/USD vs Monday's 6.2818. With concerns of appreciation pressure on Asian currencies due to a weak JPY policy dominating central banks' minds, it is likely to see a moderate daily fixing to guide a more stable RMB and smooth out the appreciation pressure for now. Offshore NDF market was pricing in a 1.4% decline for the RMB over the next 12 months while offshore CNH fell to 6.2310/USD late Tue, from 6.2248 late Mon. This morning, the central parity was set firmer at 6.2806/USD from 6.2851 on Tue.

### Equities

- **Asian markets ended mostly higher Tue, with Nikkei ending up 0.4% at 10866.72.** Kospi gained 0.8% to 1955.96, ending a four-day losing streak. Regional markets were also positioning themselves ahead of a string of major economic events later this week, including the FOMC outcome early Thur and the key nonfarm payroll report on Fri. Hang Seng Index ended less than 0.1% lower to 23655.17, weighed by large constituent Industrial and Commercial Bank of China.

Shanghai Composite added 0.5% to 2358.98.

### Economic News

- **International tourist arrivals surpassed one billion for the first time in 2012**, up from 996 million in 2011, with the Asia-Pacific region posting the biggest increase in foreign visitors, and numbers will rise further in 2013, United Nations' World Tourism Organization said Tue.
- **China's banking regulator CBRC will step up scrutiny this year of how banks pool funds** from their wealth management products and what investments these products make, Xinhua News reported Tue. There are currently RMB7.1tn of outstanding wealth management products in China, according to Xinhua.
- **China's largest infrastructure project lender China Development Bank said Tue** it will allocate more than half of its new loans to urbanization-related projects, as Beijing pushes for urbanization to ensure future growth. The bank's loans to such projects including coal-oil transport, water conservation, agriculture, forestry, telecommunications, power networks, and public infrastructure totaled RMB338.2bn in 2012.
- **Taiwan's central bank CBC said Tue that the yen's recent decline has put upward pressure** on the New Taiwan dollar due to hot money inflows and it may take steps to stabilize the forex market to maintain the island's export competitiveness. It noted that "Abenomics" has caused hot money to shift to the Chinese yuan, South Korean won and New Taiwan dollar from the Japanese yen, putting a lot of upward pressure on these regional currencies.
- **Financial regulators from China and Taiwan said Tue** in a joint press conference they are considering lifting more restrictions on cross-strait securities trading and listings as part of efforts to forge closer cooperation.
- **India's central bank cut interest rates for the first time in nine months Tue** and lowered the amount of cash banks must keep in reserve as it looks to boost investment and kickstart the flagging economy, but ruled out deeper cuts as inflation remained too high for comfort. RBI lowered an expected 25 basis points of the benchmark repo rate, to 7.75% as well as an unexpected 25bps cut to its cash reserve ratio to 4.0%.
- **The Philippines will maintain its goal of keeping the government's budget deficit at 2% of GDP** this

year, even though the country posted a strong fiscal performance in 2012, Finance Secretary Cesar Purisima said Tuesday.

- **The Philippines, one of the most active Asian sovereign borrowers in the international debt market,** can forego borrowing from overseas if it wants to, Finance Secretary Cesar Purisima said Tue, and can choose to source its funding requirements entirely from the local debt market this year, if necessary.
- **Comments from BI executive director of monetary policy Hendar indicated that the central bank has stepped up intervention in the past two weeks** to support the rupiah after an offshore fixing for the currency sank to the biggest discount to the onshore spot rate in almost 16 months. Bank Indo acted to boost dollar supply in the market and revive confidence in the rupiah after a six-quarter slide and narrow the gap between local and overseas prices. BI sees room to adjust foreign-exchange rules to temper excess dollar demand and stabilize the rupiah, he said, without elaborating.
- **Bank of Thailand ready to use tools on baht if needed, Deputy Governor Pongpen** told reporters after talking to representatives of the Federation of Thai Industries on Tue, and that the THB has been moving in both directions. However, Pongpen did not specify the tools BoT could use.
- **Singapore released a Singapore Population White Paper on Tue to address population strategies to 2030.** Currently, Singapore's total population is 5.31mil (2012), of which resident population is 3.82mil. That means non-resident population comprise 28% share of total population. The White Paper projects Singapore's total population in 2020 to be between 5.8mil and 6mil, of which the resident population is between 4mil to 4.1mil. Citizens will make up 3.5mil to 3.6mil. Non-resident population would increase to 31% of total population. In 2030, total population is projected to be between 6.5mil and 6.9mil, where resident population is between 4.2mil to 4.4mil and citizens making up 3.6mil to 3.8mil. Non-resident population would increase further to around 35% to 36% of total population.

Economic Indicators						
Date	Time	Indicators	Month	Actual	Market Forecast	Previous
29 Jan	1635	CN Leading Index	Dec	100.50	-	100.37
30 Jan	0700	SK Current Account USD	Dec	2252.9	-	6906.2mn
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		6.3	7.1%
	1000	PH Annual GDP y/y	-		6.4	3.9%
	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		-636	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%

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