# Asian Markets

Thursday, 31 January 2013

## Key Event

- A busy day ahead in Asia with plenty of data and events on tap including Bank Negara Malaysia's decision late in the evening, before heading into the Ldn/NY session. Early this morning, Japan's Dec prelim industrial production came in worse than expected at +2.5%m/m vs. est of 4.1%, and from -1.4%m/m, reaffirming the govt's view of actions to revive the economy.

- Elsewhere in the morning, Taiwan's 4Q12 GDP report is expected to rise 3%y/y from 0.98% in 3Q, tracking a similar trajectory for most Asian economies. At 10am, Singapore will report 4Q12 prelim jobless rate, which is expected to stay relatively steady at 2.0% vs. 1.9% in 3Q. Philippines 4Q12 GDP report will be out at the same time, and is expected to gain 6.4%y/y from 7.1% in 3Q, maintaining the country's performance as one of the strongest in ASEAN.

- In the afternoon, Thai external trade report for Dec and HK retail sales for Dec will be due. Bank Negara Malaysia's rate decision will be due at 6pm and is widely expected to keep its policy rate unchanged at 3%. Elsewhere, BoJ deputy gov Yamaguchi is scheduled to speak in Nagasaki with business leaders.

## Forex

- **Another mixed day in Asian FX market on Wed as investors responded to comments from various central bank and government officials** in response to the weak JPY policy and the impact on Asian currencies. KRW weakened 0.3% to close at 1,085.46/USD, after Deputy FinMin Choi Jong Ku said taxes on currency trading and bonds should be considered to help limit "speculative" inflows of capital. THB however rose for a second day, edging up 0.2% to 29.79/USD late Asian session, as the government continued to indicate no signs of imposing controls on a firmer baht. IDR fell 0.9% to 9,760/USD. MYR gained for the first time in three days, edging up slightly to 3.0785/USD ahead of Bank Negara's rate decision on Thur, although uncertainty over the upcoming general elections could continue to exert downward pressure on the currency.

## SGD

- **USD/SGD resumed its upward move Wed, to settle at 1.2360, up 0.2% from 1.2337 late Tue,** with a high

Foreign Exchange Rates (as of 30 Jan 2013)

| FX | Asian Close | Asian High | Asian Low | NY High | NY Low |
|---|---|---|---|---|---|
| SGD | 1.2350 | 1.2359 | 1.2334 | 1.2371 | 1.2342 |
| MYR | 3.0820 | 3.0830 | 3.0670 | - | - |
| IDR | 9680 | 9765 | 9679 | - | - |
| THB | 29.78 | 29.80 | 29.75 | - | - |
| PHP | 40.62 | 40.69 | 40.61 | - | - |
| TWD | 29.570 | 29.582 | 29.450 | - | - |
| KRW | 1085.55 | 1087.50 | 1078.80 | - | - |
| HKD | 7.7578 | 7.7585 | 7.7578 | - | - |
| CNY | 6.2204 | 6.2241 | 6.2181 | - | - |

UOB's Estimation of SGD NEER (as of 31 Jan 2013)
Assuming 2.0% on each side of the pivot point

| | |
|---|---|
| Lower-End | 1.2580 |
| Upper-End | 1.2086 |
| Mid-Point | 1.2328 |

| 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 30 Jan 2013) | Closing | % chg | ytd % chg |
|---|---|---|---|
| FTSE Straits Times Index | 3285.90 | +0.80 | +3.75 |
| FTSE Bursa Malaysia KLCI Index | 1627.73 | -0.59 | -3.62 |
| Jakarta SE Composite Index | 4452.98 | +0.31 | +3.16 |
| Thailand SET Index | 1490.82 | +0.81 | +7.10 |
| Philippines SE PSEi Index | 6271.23 | +0.59 | +7.89 |
| Taiwan SE Weighted Index | 7832.98 | +0.40 | +1.73 |
| Korea SE KOSPI Index | 1964.43 | +0.43 | -1.63 |
| Hong Kong Hang Seng Index | 23822.06 | +0.71 | +5.14 |
| Shanghai SE Composite Index | 2382.47 | +1.00 | +5.00 |
| India Sensex 30 Index | 20005.00 | +0.07 | +2.98 |

of 1.2371 seen overnight, for a 5th gain in the 6 sessions for the pair. MAS MD Ravi Menon said yesterday that central banks in the region should couple currency appreciation with targeted measures to prevent asset bubbles from forming. This morning, trade weighted S$ index eased to 0.25% below the midpoint from around -0.1% yesterday, and is likely to remain within 0.0% to -0.5% below the midpoint, or 1.2325-1.2390 for the USD/SGD pair for now.

## SGS

- **ADP came out inline after taking into account revisions. US 4Q12 GDP released last night** got prices moving with a decidedly soft print. All hinges on non-farm payrolls this Friday to see if recent moves higher in yields is premature. SGS made an about turn and pushed the sell button as UST cracked the 2.00% during Asian time. Curve steepened back a touch as the yield curve got pulled higher by around 7/8bp. Overnight consolidation in UST will probably see SGS trade cautiously today with a bias towards covering shorts.

- Opening levels 2y 99.89/97 0.30/0.27 5y 108.05/25 0.42/0.38 10y 114.95/15 1.45/1.43 15y 116.00/30 2.17/2.15 20y 107.90/30 2.33/2.30 30y 100.00/60 2.75/2.72.

## RMB

- **RMB firmed to 6.2204/USD on Wed, vs. 6.2243 on Tue,** as the spot market followed a firmer central parity setting which was set at 6.2806/USD, compared to 6.2851 on Tue. Offshore, NDF continue to price in a 1.4% fall for the RMB over the next 12 months, while CNH edged up to 6.2160, from 6.2310 late Tue, as China's premier Wen Jiabao cautioned yesterday on risks of inflation in the country. This morning, the RMB fixing was set firmer at 6.2795/USD from 6.2806 on Wed.

## Equities

- **Asian stock markets were higher Wed, with Japan closing at a 33-month high** and Hong Kong reaching a 21-month high. Nikkei jumped 2.3% at 11113.95, while Hang Seng ended up 0.7% at a 21-month high of 23822.06. The Shanghai Composite ended 1% higher, at 2382.47, with the index continuing on a 3-day winning streak. Kospi added 0.4% to 1964.43. STI closed at 2-year high on Wed, rising 26.14 points, or 0.8% to 3,285.90, its highest level since November 2010.

## Economic News

- **Taiwan will double the limit on mainland Chinese institutions' securities investments in its market** as the cross-strait economic relationship deepens. Maximum inbound investment from China will be increased to US$1bn from US$500mn, according to Huang Tienmu, Taiwan's securities regulator. He spoke after a meeting yesterday between Guo Shuqing, chairman of the China Securities Regulatory Commission, and Taiwan's market regulator, Chen Yuh-chang, in Taipei.

- **South Korea is preparing a new package of capital control measures** against hot money to help reduce the volatility of its foreign exchange markets, Deputy FinMin Choi Jong-ku said Wed, including imposing taxes ("Tobin Tax") on foreign exchange and local bond transactions as part of its bid to curb speculative investments, as well as tighter rules on NDF positions when regulating speculative derivatives.

- **A strong baht won't prompt Thailand to impose controls or special taxes** to curb capital inflows, DPM and FinMin Kittiratt told the press on Wed after a meeting of economic ministers, although decision in response to THB rests with BoT.

- **The Philippines expects to increase tax revenue to 18% of GDP by 2016,** Finance Secretary Cesar Purisima said Wed, by widening the tax net to include more wealthy people and professionals currently not paying their share.

- **MAS Managing Director Ravi Menon said in an investor conference on Wed that currency appreciation** was not sufficient to guard against the "wall of money" and central banks in the region should couple currency appreciation with targeted measures to prevent asset bubbles from forming, particularly in the property market.

| Economic Indicators | | | | | | |
|---|---|---|---|---|---|---|
| Date | Time | Indicators | Month | Actual | Market Forecast | Previous |
| 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 | 7.2% |
| | 1000 | PH Annual GDP y/y | - | | 6.4 | 3.9% |
| | 1000 | SG Unemployment Rate sa | 4Q P | | 1.9 | 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 | | -700 | 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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