

Asian Markets

Friday, 01 February 2013

Key Event Ahead

- Another busy day ahead in Asia and global markets with the key US nonfarm payroll report pending for release this evening. In Asian session, Malaysian financial market is closed today for a public holiday. Today's focus will be the two manufacturing PMI reports from China which will be out early in the morning that should indicate continuing improvement in China's economic growth momentum.
- At 9am, China's PMI for January will be released, expected to rise to 51 from 50.6 in Dec. At 945am, China's HSBC PMI for January is expected to rise to 52 from 51.5 in Dec as the preliminary reading indicated a HSBC PMI index for Jan at 2-year high of 51.9. Later in the day, Indonesia's inflation report for Jan and trade data for Dec will be out at noon, and attention will then shift to Europe where PMI reports for various countries will be due.

Forex

- Asian currencies were broadly lower against the USD on Thur, with the typical month-end USD demand** driving the USD higher as well as wariness of government intervention to keep domestic currencies from excessive strength in view of Japan's weak JPY policy. Ahead of a public holiday on Fri, election jittery continued to pressure on MYR, as the unit fell 0.7% to 3.1050 late Asian session on Thur, for a weekly loss of 1.8%, the biggest weekly drop in 5 years. KRW fell for a second day after Deputy Finance Minister Choi Jong Ku proposed taxes on currency trading and bonds, with the currency down down 0.3% to 1,088.59/USD on Thur, for a 2.2% loss for the month. THB weakened slightly to 29.82 from 29.77 late Wed, and chalked up a monthly gain of 2.6%, its biggest monthly advance since July 2011. PHP fell 0.1% to 40.688/USD, its first drop in 3 days but still managed to register a monthly gain of 0.9%.

SGD

- SGD weakened further against the USD overnight, down 0.1% to 1.2375/USD** and is off 1.3% for the month of January, one of the worst performing Asian currencies after MYR (-1.6%), TWD (-1.66%), and KRW (-2.2%), as a weak JPY casts a shadow on these major

Foreign Exchange Rates (as of 31 Jan 2013)					
FX	Asian Close	Asian High	Asian Low	NY High	NY Low
SGD	1.2375	1.2395	1.2353	1.2383	1.2358
MYR	3.1050	3.1140	3.0800	-	-
IDR	9690	9770	9659	-	-
THB	29.82	29.84	29.72	-	-
PHP	40.68	40.69	40.58	-	-
TWD	29.570	29.582	29.510	-	-
KRW	1085.95	1091.30	1086.70	-	-
HKD	7.7573	7.7582	7.7573	-	-
CNY	6.2186	6.2204	6.2173	-	-

UOB's Estimation of SGD NEER (as of 01 Feb 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	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%	07 Mar	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 31 Jan 2013)	Closing	% chg	ytd % chg
FTSE Straits Times Index	3282.66	-0.10	+3.65
FTSE Bursa Malaysia KLCI Index	1627.55	-0.01	-3.64
Jakarta SE Composite Index	4453.70	+0.02	+3.17
Thailand SET Index	1474.20	-1.11	+5.91
Philippines SE PSEi Index	6242.74	-0.45	+7.40
Taiwan SE Weighted Index	7850.02	+0.22	+1.95
Korea SE KOSPI Index	1961.94	-0.13	-1.76
Hong Kong Hang Seng Index	23729.53	-0.39	+7.73
Shanghai SE Composite Index	2385.42	+0.12	+5.13
India Sensex 30 Index	19894.98	-0.55	+2.41

exporters. Another drag for the SGD is the underperforming MYR, pressured by the uncertainty over the upcoming general elections. For the month of January, KLCI was the worst performing major Asian index, off by -3.6%, followed by Kospi at -1.8%, while most major Asian markets were up in the range of 2% to 7% for the month. With upside likely to be curbed for the SGD with ongoing weakness for MYR, SGD NEER index eased further this morning to -0.24% below the mid-point, from around -0.2% yesterday and is seen hovering within the 0.0% to -0.5% range, which implies a USD/SGD range of 1.2320 to 1.2415.

SGS

- **EUR to 1.40? USD strength is looking pretty solid.** Overnight profit taking brings us back under 1500 on the S&P. The market is looking to nonfarm payroll report to set the tone. SGS looked for short covers. With sentiment tilted towards caution by the weak US 4Q12 GDP print earlier. Yields ended the day 4/5bp lower. SGS will open lower today, but activity is likely to be slow as per usual pre payrolls markets.
- Opening Levels 2y 99.92/00 0.29/0.25 5y 108.10/30 0.41/0.36 10y 115.05/25 1.44/1.42 15y 116.00/30 2.17/2.15 20y 107.95/35 2.32/2.30 30y 100.30/90 2.74/2.71.

RMB

- **RMB rose on Thur, following a firmer fixing as the unit edged up to 6.2188/USD** from 6.2204 on Wed. Earlier, the RMB fixing was set at 6.2795/USD vs. Wednesday's 6.2806. Offshore NDF market continued to price in a weaker RMB ahead, with an implied 1.4% fall over the next year, while CNH edged firmer to 6.2158/USD, from 6.2160 late Wed.

Equities

- **Asian markets were mixed Thur, dragged by a weaker US equity market** after a surprise decline in 4Q12 GDP report. Nikkei 225 rose 0.22%, or 24.71 points, to 11,138.66 and Shanghai Composite added 0.12%, or 2.95 points, to 2,385.42. Kospi fell 0.13% to 1,961.94, while Hang Seng slipped 0.39%, or 92.53 points, to 23,729.53. Thai SET ended 1.1% lower at 1474.20 and KLCI was steady at 1627.55 ahead of a public holiday today.

Economic News

- **Japan's currency authorities didn't intervene in the foreign exchange market in the 27 Dec – 29 Jan period**, data released from the Ministry of Finance showed Thurs, Dow Jones News reported. The new data confirm that the MOF has not intervened in the

market since November 2011.

- **IMF economists Mitali Das and Papa N'Diaye warned that China** will reach its "Lewis Turning Point" between 2020 and 2025 when labor becomes scarce enough that wages rise sharply, industrial profits are squeezed, investment falls, thus putting to rest the country's current model of relying on cheap labour.
- **The Beijing municipal government may introduce a real estate tax** as early as the first half of this year, the China Times reported Thur, citing an unnamed person close to the Beijing Local Taxation Bureau. The tax will be levied on owners of houses with a floor space exceeding 24 square meters per family member.
- **Taiwan's economy expanded 3.42%y/y in 4Q12, above expectation of 3% and the 0.98% pace** registered in 3Q12, driven by the traditional pickup in year-end demand. The government has raised its full year forecast for 2013 to 3.53%, from its previous estimate of a 3.15% expansion. Taiwan's economy grew 1.25% last year, its slowest expansion in 3 years, after posting 4.07% growth in 2011. However, the government continued to warn the impact of Japan's weak yen on Taiwan's competitiveness.
- **Taiwan central bank Governor Perng Fai-nan** wants to retire at the end of his term 25 Feb after 15 years at the helm, two lawmakers told local television Thursday. Perng joined CBC as head of economic research in 1986 and became governor in 1998.
- **The Philippines' economy grew stronger than expected at 6.8%y/y in 4Q12**, compared to expectation of 6.4%, but slower than 7.2% in 3Q12, driven by a recovery in agriculture, increased construction activity and higher public and private spending. The agricultural sector, which accounts for 1/5 of GDP, grew 4.7%y/y in 4Q12, reversing from the 2.5% contraction a year earlier. Services expanded 6.9%, while the industrial sector grew 7.5%. The economy expanded 6.6% for the whole of 2012, exceeding the government's 5%-6% target and surpassing the 3.9% rise in 2011.
- **The Philippine economy's stronger-than-expected performance in 2012** suggests the country needs no further support in terms of easier monetary policy, the central bank deputy Gov. Diwa Guiningundo said Thur.
- **Thailand's benchmark interest rate should reflect local economic conditions**, rather than conditions in the US or Japan, BoT Governor Prasarn said on Thur.

- **Bank Negara Malaysia on Thur kept its benchmark overnight policy rate unchanged as widely expected at 3%,** citing low inflationary pressure and resilient domestic demand. Inflation is expected to accelerate in 2013 but “remain modest” as modest global growth prospects will help contain price pressures from global food prices, the central bank said.
- **Singapore govt plans to increase its land supply by nearly 8% to 76,600 hectares** to accommodate its projected population of 6.9 million by 2030, according to the Land Use Plan report released Thur. Singapore’s total land area now stands at 71,400 hectares.

Economic Indicators						
Date	Time	Indicators	Month	Actual	Market Forecast	Previous
31 Jan	0830	TW GDP - Constant Prices y/y	4Q	3.42	3.00	0.98%
	1000	PH GDP sa q/q	4Q	1.5	1.2	1.7%
	1000	PH GDP y/y	4Q	6.8	6.3	7.2%
	1000	PH Annual GDP y/y	-	6.6	6.4	3.9%
	1000	SG Unemployment Rate sa	4Q P	1.8	1.9	1.9%
	1430	TH Total Exports y/y	Dec	13.6	-	27.1%
	1430	TH Total Imports y/y	Dec	1.3	-	24.1%
	1430	TH Total Trade Balance USD	Dec	283	-	627mn
	1530	TH Current Account Balance USD	Dec	730	-700	392mn
	1530	TH Business Sentiment Index	Dec	50.6	-	52.0
	1630	HK Govt Mthly Budget Surp/Def HKD	Dec	51.7	-	24.8bn
	1630	HK Retail Sales - Value y/y	Dec	8.8	7.6	9.4%
	1630	HK Retail Sales - Volume y/y	Dec	8.1	6.5	8.1%
	1800	MYR O/N Policy Rate	Jan	3.00	3.00	3.00%
01 Feb	0700	SK CPI y/y	Jan	1.5	1.5	1.4%
	0700	SK Core CPI y/y	Jan	1.2	-	1.2%
	0800	SK Ext Trade - Export y/y	Jan	11.8	8.9	-5.7%
	0800	SK Ext Trade - Imports y/y	Jan	3.9	1.4	-5.2%
	0800	SK Ext Trade - Balance USD	Jan	874	880	1923mn
	0801	SK HSBC Manufacturing PMI	Jan	49.9	-	50.1
	0900	CN Manufacturing PMI	Jan		51.0	50.6
	0945	CN HSBC Manufacturing PMI	Jan		52.0	51.5
	1200	ID Inflation y/y	Jan		4.47	4.30%
	1200	ID Exports y/y	Dec		-2.0	-4.6%
	1200	ID Total Imports y/y	Dec		4.9	9.9%
	1200	ID Core Inflation y/y	Jan		4.41	4.40%
	1200	ID Total Trade Balance USD	Dec		-400	-478mn
	1200	TH CPI y/y	Jan		3.50	3.63%
	1200	TH Core CPI y/y	Jan		1.70	1.78%
	1530	TH Foreign Reserves	Jan 25		-	182.0bn

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