

Asian Markets

Monday, 04 February 2013

Key Event Ahead This Week

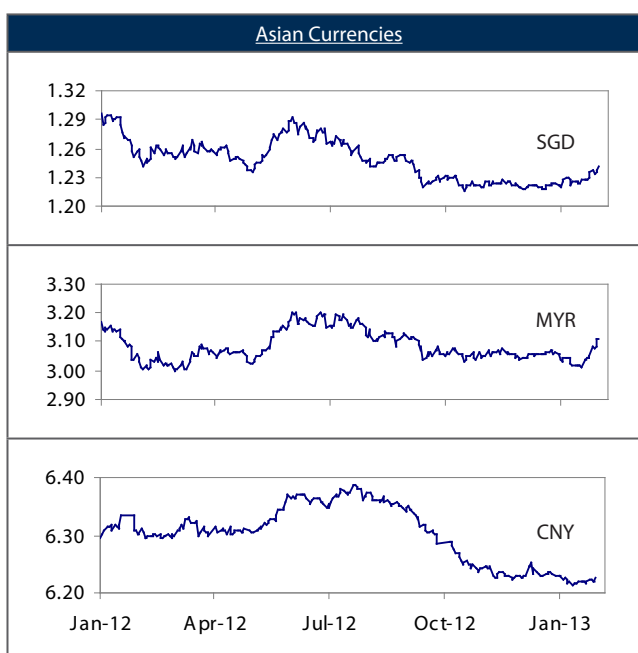
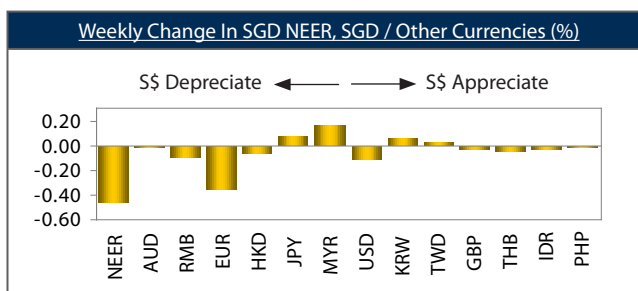
- Focus this week will shift from the post-nonfarm US to Asia and Europe, where RBA is on tap Tue and then on Thur ECB (845pm) and BoE (8pm). As all these central banks are expected to stay pat on rate policy, of greater interest will be hints and clues on the latter two's stance on the euro and pound against a backdrop of weak JPY policy. Also on Thur (545pm), investors will also pay close attention to BoE's governor-designate Carney's appearance in parliament to provide his view on monetary policy. In comparison, US data calendar is relatively light this week, with the Dec external trade report (Fri 930pm) holding more interest for the market on possible revision to 4Q12 GDP as Nov trade deficit came in much larger than expected last month.
- In Asia this week, data calendar is relatively heavy ahead of the Chinese New Year holiday and golden week holiday in China next week. Of note will be Indonesia's 4Q GDP report on Tue and then on Fri, China's reports on Jan CPI and external trade will give a prelim glimpse of the direction of 1Q13 GDP especially after last week's somewhat mixed PMI reports, though it should be noted that these data are usually thrown off by seasonal effects of Chinese New Year in the first two months of the year.
- For today, data releases are relatively thin in Asia with only Singapore's PMI for Jan – expected to remain in the doldrums for both headline and electronic sectors – to look forward to late this evening at 930pm. Another event of interest though may be Singapore's parliament which will be in session at 130pm, as the recently released White Paper on Population is scheduled for debate. In terms of market trend, last Friday's surge in the Dow above the 14000 level should encourage Asian investors moving into equity markets.

Forex

- Asian currencies fell for a second week on heightened risks of central bank interventions** on FX as well as concerns over the impact of weaker JPY on Asian economies' competitiveness. The past week also saw higher frequency of comments on currency markets from officials in South Korea, Taiwan, Thailand, Philippines, and also China. Both KRW and TWD per-

Foreign Exchange Rates (as of 01 Feb 2013)					
FX	Asian Close	Asian High	Asian Low	NY High	NY Low
SGD	1.2415	1.2431	1.2375	1.2427	1.2383
MYR	3.1050	3.105-	3.1050	-	-
IDR	9700	9770	9690	-	-
THB	29.81	29.92	29.83	-	-
PHP	40.69	40.80	40.65	-	-
TWD	29.668	29.668	29.520	-	-
KRW	1097.50	1098.30	1086.00	-	-
HKD	7.7565	7.7573	7.7540	-	-
CNY	6.2273	6.2292	6.2204	-	-

UOB's Estimation of SGD NEER (as of 04 Feb 2013) Assuming 2.0% on each side of the pivot point	
Lower-End	1.2616
Upper-End	1.2122
Mid-Point	1.2364



formed the worst on a weekly basis given these economies compete in the same markets as Japan, as JPY declined 2% last week against the USD. For the week, KRW fell 2.1% to 1,097.38/USD, the biggest loss seen since May, and TWD dropped 1.4% to 29.668/USD, its biggest weekly decline in 16 months as the central bank is said to have intervened to curb the unit's strength. Elsewhere in Asia last week, IDR weakened 1% to 9,750/USD and PHP edged down 0.1% to 40.71/USD. While Malaysia's financial markets were closed on Fri for a holiday, MYR fell 1.8% for the week to 4.00/USD as investors remained jittery ahead of the general elections which have yet to be called by PM Najib. THB gained 0.3% to 29.82/USD.

SGD

- **SGD weakened for the third straight day on Fri, down 0.25% to 1.2406/USD after hitting day's low of 1.2431** during Asian session as "risk on" trade saw the safe haven SGD losing some shine. For the week, SGD came off 0.5%, in the middling of its peers in a week that saw most Asian currencies down against the USD. For today, the main data for Singapore is unlikely to provide any spark for the SGD as the January PMI manufacturing index due late in the evening is expected to remain in the doldrums at 48.8 for the headline and 47.1 for the electronic index compared to 48.6 for the headline and 46.6 for electronics in Dec. For the week, SGD is likely to track along other Asian currencies, and will also watch closely China's data releases this Fri, for an early glimpse of growth momentum in that country as the mixed PMI reports last week has not been too reassuring. This morning, the SGD index held steady at 0.28% below the midpoint, and is likely to hold within 0.0-0.75% below the midpoint for now. This implies USD/SGD range at 1.2365-1.2450.

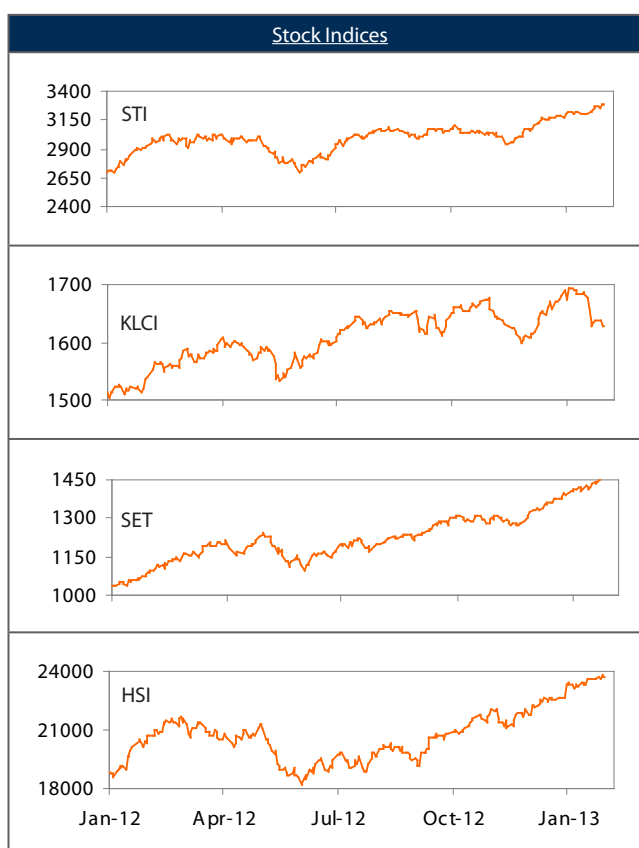
SGS

- **Whippy Friday, as lukewarm payrolls met better ISMs.** In the end equities showed the way as a strong rally pushed Dow to close above 14k. Stock momentum may still have legs with NFP providing some comfort that easy money is not at threat near term. SGS was once again sensitive to the 2.00% in USTs. Activity picked up with better sellers targeting the Sep 2024 and Mar 2027. Short covering in the benchmark 10ys serving well as circuit breaker during periods of selloff. The new 2y bond has caught the eye of some as yields look to be capped at the high 0.20s. Watch the turn in FX for demand to pick up in this issue.
- Opening levels 2y 99.93/01 0.29/0.25 5y 108.00/20 0.43/0.38 10y 114.50/70 1.49/1.47 15y 115.20/50 2.24/2.21 20y 107.15/55 2.38/2.35 30y 99.40/00 2.78/2.75.

Market Holiday	Date	Event
SG/MY/HK/CN	11-12 Feb	Chinese New Year
CN/TW	13-15 Feb	Chinese New Year
TH	25 Feb	Makha Bucha Day

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 01 Feb 2013)	Closing	% chg	ytd % chg
FTSE Straits Times Index	3291.14	+0.26	+3.92
FTSE Bursa Malaysia KLCI Index	-	-	-
Jakarta SE Composite Index	4481.63	+0.63	+3.82
Thailand SET Index	1499.22	+1.70	+7.71
Philippines SE PSEi Index	6318.61	+1.22	+8.70
Taiwan SE Weighted Index	7855.97	+0.08	+2.03
Korea SE KOSPI Index	1957.79	-0.21	-1.97
Hong Kong Hang Seng Index	23721.84	-0.03	+4.70
Shanghai SE Composite Index	2419.02	+1.41	+6.61
India Sensex 30 Index	19781.19	-0.57	+1.82



RMB

- **RMB eased 0.13% to close 6.2270/USD on Fri, its first drop in three days**, and ended the week down a marginal 0.1%, with the central bank guiding the currency lower via its daily fixings as well as a mixed pair of PMI reports on Fri which provided little catalyst for the FX market. The fixing was set lower at 6.2819/USD on Fri from 6.2795 on Thur. The official PMI came in at below expectation of 50.4 in Jan from 50.6 in Dec and expectation of 50.9, while the HSBC PMI index jumped to a two-year high of 52.3 in Jan, from 51.5 in Dec. Particular for the official PMI, the mixed index could be due to the change in sampling methodology where number of firms interviewed was boosted to 3000 starting 2013 from 800 in the past and compared to 400 for the HSBC version, in addition to the seasonal factor of Chinese New Year on these surveys. In the offshore market, NDF continued to price in a 1.4% depreciation for the RMB over the next 1 year while CNH hovered at a stronger level on Fri, at 6.2130/USD.

Equities

- **Asian equity markets gained for the week, driven by general positive tone** from the US in market sentiment and data, as well as the surge in Japan's market in reaction to easier Japanese monetary policy stance. Nikkei 225 led Asian markets, extending its record weekly winning streak since at least 1970, for a weekly gain of 2.4% on Fri, capping a 12- week advance after Japan's Cabinet Office on 28 Jan boosted its economic outlook. Elsewhere for the week, Hang Seng Index gained 0.6%, Shanghai Composite Index advanced 5.6%, after gaining 1.4% on Fri. Kospi added 0.6% and STI rose 0.7%, while Taiex Index climbed 2.4%. US stock markets rallied Friday, with the Dow closing above 14,000 for the first time since October 2007, as investors welcomed a batch of strong economic data.

Economic News

- **Japan's coast guard on Sat arrested the captain of a Chinese boat** on suspicion of illegal fishing in the country's exclusive economic zone Saturday amid a festering territorial row between the two countries. Meanwhile, Japan's PM Shinzo Abe vowed Sat to defend Japan against "provocations" as he toured the southern region of Okinawa near islands at the center of an ongoing territorial dispute with China.
- **China last year recorded its biggest deficit in financial and capital account since records** began in 1982 as the domestic and global economies slowed, spurring outflows of funds. The deficit was US\$117.3bn, its first since the 1998 Asian financial crisis and a reversal from the US\$221.1bn surplus in 2011, data released by SAFE on Fri showed. Current account surplus in 2012 rose marginally to US\$213.8bn in 2012 or 2.6% of GDP, from US\$201.7bn or 2.8% of GDP, in 2011.
- **China's services industries grew at the fastest pace since Aug**, with the nonmanufacturing ISM index rising to 56.2 in Jan from 56.1 in Dec.
- **China's new home prices rose 1% in January, the biggest gain in two years**, as developers turned optimistic because the government did not impose additional measures to curb the property market last month. Prices climbed for an eighth month in January to RMB9,812 per square meter from Dec, SouFun said Fri.
- **North Korea is showing signs of resuming work for a third nuclear test** a week after it threatened to conduct one in response to strengthened United Nations sanctions, Yonhap News reported Sat.

Economic Indicators						
Date	Time	Indicators	Month	Actual	Market Forecast	Previous
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	50.4	51.0	50.6
	0945	CN HSBC Manufacturing PMI	Jan	52.3	52.0	51.5
	1200	ID Inflation y/y	Jan	4.57	4.47	4.30%
	1200	ID Exports y/y	Dec	-9.8	-2.0	-5.3%
	1200	ID Total Imports y/y	Dec	-5.6	4.9	10.0%
	1200	ID Core Inflation y/y	Jan	4.32	4.41	4.40%
	1200	ID Total Trade Balance USD	Dec	-155	-400	-618mn
	1200	TH CPI y/y	Jan	3.39	3.50	3.63%
	1200	TH Core CPI y/y	Jan	1.59	1.70	1.78%
	1530	TH Foreign Reserves	Jan 25		181.6	182.0bn
04 Feb	2130	SG PMI	Jan		48.8	48.6
	-	ID Foreign Reserves USD	Jan		-	112.78bn
05 Feb	0500	SK Foreign Exchange Reserve USD	Jan		-	326.97bn
	0830	TW CPI y/y	Jan		1.40	1.61%
	0830	TW WPI y/y	Jan		-4.00	-3.96%
	0900	PH Core CPI y/y	Jan		-	3.3%
	0945	CN HSBC Services PMI	Jan		-	51.7
	1500	ID GDP Constant Price y/y	4Q		6.22	6.17%
	1500	ID GDP Constant Price q/q	4Q		-1.24	3.21%
	1500	ID Annual GDP	2012		6.30	-
	1620	TW Foreign Exchange Reserves USD	Jan		-	403.17bn

Jimmy Koh
(65) 6539 3545
Jimmy.KohCT@UOBgroup.com

Suan Teck Kin, CFA
(65) 6539 3922
Suan.TeckKin@UOBgroup.com

Ho Woei Chen
(65) 6539 3948
Ho.WoeiChen@UOBgroup.com

Francis Tan
(65) 6539 3923
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.