

Asian Markets

Tuesday, 05 February 2013

Key Event Ahead

- Today's main focus will be RBA rate decision (1130am), which is seen holding at 3%** but market is pricing in 30% chance of 25bps cut, and Indonesia's 4Q GDP report (12pm) which is expected to rise 6.20%/y from 6.17% in 3Q12, supported by consumer spending and investment which helped to offset weaker exports hurt by slumping commodity export prices.
- Earlier in the day will see Taiwan's CPI for Jan (830am), expected to slow to 1.3%/y from 1.6% in Dec distorted by seasonal demand during Chinese New Year in same period last year, though the figure for Feb is likely to accelerate due to Chinese New Year festivities falling in the month of Feb. At 945am, China's HSBC services PMI for Jan will be out, no consensus estimate available though the Dec reading of 51.7 was the third month of deceleration for the index, while the official services PMI in Jan released on Sunday, edged up to 56.2, the highest in 5 months. Later this evening, US will see release of services ISM index as well as the Congressional Budget Office's twice yearly outlook for the US economy, including debt and deficit projections.

Forex

- In Asian session on Mon, USD was broadly lower against regional currencies as sentiment** was boosted by recent generally positive data that saw the Dow Jones Index breaching 14000 last Fri. However overnight actions in the US and Europe appeared to have turned negative with political uncertainty in Spain and Italy, with EUR having its biggest one-day drop in more than a month. Taking the lead from the US and Europe, trading sentiment today is likely to turn cautious and could see downward pressures on Asian currencies after a mild recovery on Mon. In trading yesterday, KRW appreciated 1.2% to 1,084.78/USD, the biggest advance since December 2011, while TWD snapped a 3-day losing run and rose 0.3% to 29.58/USD, the biggest gain since 14 Sep. MYR advanced the most in a month as recent losses were judged excessive, gaining 0.6% to 3.0996/USD the biggest increase since 2 Jan, after dropping 2.3% last week for the biggest weekly decline since Sep 2011. PHP firmed to 40.595/USD after settling late Friday at 40.695. THB edged up to

Foreign Exchange Rates (as of 04 Feb 2013)					
FX	Asian Close	Asian High	Asian Low	NY High	NY Low
SGD	1.2383	1.2410	1.2372	1.2403	1.2378
MYR	3.0920	3.1100	3.0920	-	-
IDR	-	-	-	-	-
THB	29.75	29.84	29.69	-	-
PHP	40.59	40.67	40.58	-	-
TWD	29.580	29.679	29.522	-	-
KRW	1084.65	1094.50	1083.30	-	-
HKD	7.7554	7.7569	7.7553	-	-
CNY	-	-	-	-	-

UOB's Estimation of SGD NEER (as of 05 Feb 2013) Assuming 2.0% on each side of the pivot point	
Lower-End	1.2608
Upper-End	1.2114
Mid-Point	1.2356

Market Holiday	Date	Event
SG/MY/HK/CN	11-12 Feb	Chinese New Year
CN/TW	13-15 Feb	Chinese New Year
SK	1 Mar	Independence Move 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 04 Feb 2013)	Closing	% chg	ytd % chg
FTSE Straits Times Index	3297.37	+0.19	+4.11
FTSE Bursa Malaysia KLCI Index	1634.55	+0.43	-3.22
Jakarta SE Composite Index	4490.56	+0.20	+4.03
Thailand SET Index	1506.37	+0.48	+8.22
Philippines SE PSEi Index	6435.98	+1.86	+10.72
Taiwan SE Weighted Index	7923.16	+0.86	+2.90
Korea SE KOSPI Index	1953.21	-0.23	-2.20
Hong Kong Hang Seng Index	23685.01	-0.16	+4.54
Shanghai SE Composite Index	2428.15	+0.38	+7.01
India Sensex 30 Index	19751.19	-0.15	+1.67

29.75/USD on Mon from 29.83 last Fri, helped by inflows into local equity and bond markets as the SET index breached the psychological 1500-level.

SGD

- **SGD recovered slightly on Mon, tracking the moves in regional currencies**, edging up 0.1% to 1.2389/USD after falling against the USD for a third straight week. The pair moved in a relatively narrow range of 1.2372-1.2410 in yesterday's session. One positive support for the local unit was the release of purchasing managers index (PMI) for Jan yesterday evening which turned out to be much better than expected as the headline PMI jumped to 50.2 in Jan from 48.6 in Dec, though the electronics PMI remain below 50 level. However, the generally positive PMI is unlikely to matter much given the predominantly negative sentiment overnight. This morning, the SGD index edged down slightly to 0.26% below the midpoint, and is likely to remain within the 0.0% to -0.5% band below the midpoint for now, which implies USD/SGD range of 1.2350-1.2420.

SGS

- **Eurozone worries finally made some headlines.** The NFP momentum fizzled out, as highs got run over by profit taking. SGS was fast and furious with yields driven higher by around 7bp before 2 way action saw some stabilization at around 5bp. 30y and 20y bonds are sitting at last year's auction level, sellers are naturally reluctant to push through. Fading the curve this far out is hazardous with the underlying tidal movement still pointing towards repricing risk, bumps along the way notwithstanding. We will open higher today and the push will likely come from the belly.
- Opening levels 2y 99.93/01 0.29/0.25 5y 107.95/15 0.44/0.39 10y 114.50/70 1.49/1.47 15y 115.20/50 2.23/2.21 20y 106.90/30 2.39/2.37 30y 99.50/10 2.78/2.7.

RMB

- **RMB fell on Mon at 6.2328/USD vs. close of 6.2270 on Fri, largely guided by a weaker fixing** which was set at 6.2860/USD, from Friday's 6.2819. With the RMB so far giving up all its gains this year, it seems to be holding steady to counter a weak JPY policy, although we are already expecting another lackluster year for the RMB and instead the emphasis is likely to be on the internationalization of the RMB. Offshore NDF remained steady with a 1.4% priced in against the

USD over next 12 months. Offshore CNH ended flat at 6.2135/USD, compared to 6.2130 late Friday.

Equities

- Asian stock markets were mixed Monday, with reassuring data from the US helping STI to close at the highest since Nov 2010. Nikkei 225 was supported throughout the session with a weakened JPY, rising 0.6% to close at 11260.35, its highest level in almost 34 months. Hang Seng Index edged down 36.73 points, or 0.16%, to 23,685.01, and Shanghai Composite added 0.4% to 2428.15. Kospi Composite fell 0.2% to 1953.21. STI rose 6.23 points to 3,297.37 on a volume of nearly 3.4 billion shares, with the index closing at the highest since Nov 2010.

Economic News

- **PBoC chief Zhou Xiaochuan is said to be stepping down in Mar**, China Securities Journal reported over the weekend.
- **Bank of Korea board member Moon Woo Sik sees no immediate need** to alter benchmark interest rates and says it's "too early" for any central-bank response to the yen's slide against the won, Bloomberg reported Mon.
- **The Philippines will delay its foreign borrowings this year for as long as possible**, reversing its usual practice of speedily accessing the international debt market, as it seeks to stem additional inflows that might add upward pressure to the peso, National Treasurer Rosalia de Leon said Mon.
- **Singapore's PMI jumped sharply to 50.2 in Jan from 48.6 in Dec**, breaking a 6-month contraction and driven by orders and exports orders, though the electronics PMI came shy of the 50 mark at in Jan for a fourth straight month of declines, vs. 46.6 in Dec.
- **Singapore has been ranked the third most expensive city to live in Asia** and the sixth in the world, according to the Worldwide Cost of Living 2013 survey conducted by The Economist Intelligence Unit .
- **Singapore's DPM Teo Chee Hean on Mon presented in Parliament** the White Paper on Population, a road-map to address Singapore's demographic challenges, and reiterated that the 6.9 million population by 2030 was only used to prepare for infrastructure plans.

Economic Indicators						
Date	Time	Indicators	Month	Actual	Market Forecast	Previous
04 Feb	2130	SG PMI	Jan	50.2	48.8	48.6
05 Feb	-	ID Foreign Reserves USD	Jan		-	112.78bn
	0500	SK Foreign Exchange Reserve USD	Jan	328.91	-	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		3.0	2.9%
	0945	CN HSBC Services PMI	Jan		-	51.7
	1500	ID GDP Constant Price y/y	4Q		6.20	6.17%
	1500	ID GDP Constant Price q/q	4Q		-1.30	3.21%
	1500	ID Annual GDP	2012		6.29	-
	1620	TW Foreign Exchange Reserves USD	Jan		-	403.17bn
07 Feb	1130	TH Consumer Confidence	Jan		-	70.6
	1700	SG Foreign Reserves USD	Jan		-	259.31bn
	-	Hk Foreign Currency Reserves USD	Jan		-	317.3bn
	-	PH Foreign Reserves USD	Jan		-	83.8bn
08 Feb	1201	MY Exports y/y	Dec		1.4	3.3%
	1201	MY Industrial Production y/y	Dec		6.2	7.5%
	1201	MY Manufacturing Sales Value y/y	Dec		-	7.4%
	1201	MY Trade Balance	Dec		8.50	9.28bn
	1330	CN CPI y/y	Jan		2.0	2.5%
	1330	CN PPI y/y	Jan		-1.5	-1.9%
	1500	TW Total Trade Balance USD	Jan		3.55	4.13bn
	1500	TW Total Exports y/y	Jan		23.2	9.0%
	1500	TW Total Imports y/y	Jan		9.1	1.6%
	1530	TH Foreign Reserves	Feb 1		-	181.6bn
	1700	MY Foreign Reserves USD	Jan 31		-	140.0bn
	-	CN Imports y/y	Jan		25.0	6.0%
	-	CN Exports y/y	Jan		20.0	14.1%
	-	CN Trade Balance USD	Jan		26.60	31.62bn

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