

Asian Markets

Wednesday, 06 February 2013

Key Event Ahead

- A relatively quiet day ahead in Asia with no key data due, and the focus will be on continued developments in the US fiscal negotiations and in Eurozone especially in Spain and Italy. For Singapore, the key release will be COE bidding results at 4pm, given the Chinese New Year ahead and that last round of biddings saw prices well above S\$90,000 mark, with Cat A at S\$91,010, B at S\$95,501 and Open S\$97,889.
- Also today, Taiwanese banks will start accepting RMB deposits, officially beginning the offshore trading of the currency on the island, following Hong Kong's lead. In Japan, BoJ board member Sato will be delivering a speech at 930am, taking on extra significance after BoJ Gov Shirakawa announced yesterday he will be leaving the post earlier than expected. NZ markets are closed for holiday today.

Forex

- Asian currencies were mixed against USD on Tue as Eurozone was once again the market focus with political uncertainty in Italy and Spain unnerving confidence. While today may see some recovery in risk, ongoing negotiations in the US on fiscal balance and political uncertainty in Eurozone will be the main focus with the lack of key data releases. On Tue, KRW eased to 1,087.00/USD from 1,084.60 late Mon, after EUR fell from multi-highs against the USD overnight. TWD was flat at 29.585/USD on Tue, vs 29.580 on Mon, due to thin flows ahead of the Chinese New Year holiday. THB held steady at 29.74 from 29.75 late Mon in Asia, supported by continued capital inflows into the country. MYR edged up further at 3.0870 late Tue vs 3.0970 on Mon, with investors swooping in, following recent declines in the local currency, to buy on dips.

SGD

- SGD gained a further 0.2% to 1.2368/USD late Tue from 1.2389**, driven largely by "risk off" sentiment with the focus on Eurozone's political uncertainty in Spain and Italy. Overnight action from the SGD exhibited the swings from risk off and then risk on after generally positive European PMI and US services ISM data. USD/SGD hovered in a range of 1.2354 and 1.2388. While there were some recovery in sentiment yesterday with Dow rebounding 99 points after the 129 point loss on

Foreign Exchange Rates (as of 05 Feb 2013)					
FX	Asian Close	Asian High	Asian Low	NY High	NY Low
SGD	1.2356	1.2390	1.2355	1.2388	1.2354
MYR	-	-	-	-	-
IDR	-	-	-	-	-
THB	29.73	29.77	29.72	-	-
PHP	40.64	40.65	40.62	-	-
TWD	29.585	29.620	29.500	-	-
KRW	1087.05	1091.50	1083.50	-	-
HKD	7.7537	7.7550	7.7536	-	-
CNY	-	-	-	-	-

UOB's Estimation of SGD NEER (as of 06 Feb 2013) Assuming 2.0% on each side of the pivot point	
Lower-End	1.2609
Upper-End	1.2115
Mid-Point	1.2357

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 05 Feb 2013)	Closing	% chg	ytd % chg
FTSE Straits Times Index	3272.66	-0.75	+3.33
FTSE Bursa Malaysia KLCI Index	1633.35	-0.07	-3.29
Jakarta SE Composite Index	4479.44	-0.25	+3.77
Thailand SET Index	1505.72	-0.04	+8.17
Philippines SE PSEi Index	6470.49	+0.54	+11.32
Taiwan SE Weighted Index	7886.94	-0.46	+2.43
Korea SE KOSPI Index	1944.01	+0.30	-2.66
Hong Kong Hang Seng Index	23148.53	-2.27	+2.17
Shanghai SE Composite Index	2433.13	+0.20	+7.23
India Sensex 30 Index	19659.82	-0.46	+1.20

Mon, overall mood remains fragile with the ongoing fiscal negotiations in the US and developments in Eurozone. This morning, SGD NEER index improved to just 0.1% below the midpoint from around -0.25% previously, primarily driven by higher USD/JPY. For now, the S\$ index is likely to hover near the lower half of the midpoint at 0.0-0.5%, which implies USD/SGD range of 1.2320-1.2410.

SGS

- **All eyes on JPY as markets bet that Shirakawa's early leaving paves the way for earlier adoption of Government Monetary policy.** Equities turned around but Dow has yet to reclaim the 14k level. Rates still look consolidative and 10ys in the 2.10/1.90 range. SGS opened the day with buyer in 15y causing some spillover hedges. Intraday softening in UST prompted a change in tone as targeted selling in the 10y bond and Sep 2024 dragged the rest of the curve along with it. SGS could remain sensitive to the 2.00% area in UST, with volumes picking up off the back of better intraday moves on either side of the psychological number.
- Opening levels 2y 99.92/00 0.29/0.25 5y 107.90/10 0.45/0.40 10y 114.15/35 1.53/1.51 15y 115.05/35 2.25/2.22 20y 106.70/10 2.41/2.38 30y 99.00/60 2.80/2.7.

RMB

- **RMB edged up to 6.2294/USD on Tue, from close of 6.2328 on Mon, after a marginally stronger fixing on Tue** which moved to 6.2850/USD compared to 6.2860 on Mon. Also on Tue, China's central bank added a record RMB450bn into the financial system using reverse-repurchase, in a step to help banks meet strong liquidity demand that are typical of the run up to Chinese New Year. This is an equivalent of a 50bps reserve requirement ratio cut and therefore lowering the risk of any RRR cut in the near term. Offshore NDF market is still relatively stable, pricing in a 1.4% decline for the RMB over the next 12 months while CNH edged lower on Tue to 6.2170/USD vs. 6.2135 late Monday.

Equities

- **Asian markets were lower Tue following the triple digit decline in the Dow on Mon and renewed concerns** over the political situation in Europe. Hong Kong and Japan were the worst affected, with the Hang Seng Index ending 2.3% lower at 23148.53 and the Nikkei fell 1.9% to 11046.92. Kospi Composite ended down 0.8% at 1938.18. Shanghai Composite Index managed to eke out a 0.2% gain to 2433.13, for a 7-day gain. KLCI ended down 0.1% at 1633.35 though Philippine shares finished higher, with the PSEi up 0.5%

at 6470.49, a new closing high for the stock market which also pushed the index up 11.3% so far this year. STI ended 0.75% lower on Tue or 24.71 points to end at 3,272.66.

Economic News

- **China unveiled guidelines on its long-awaited income distribution reform** by saying it would boost income of the poor, tighten its grip on illegal income and ask state firms to contribute more profits to the government, State Council announced Tue.
- **The Big 4 local banks, ICBC, CCB, BOC and ABC,** are said to have approved new loans of about RMB370bn in January, China Securities Journal reported on Tue.
- **Taiwan's central bank said onshore banks will start taking RMB deposits starting Wed,** as part of a direct RMB-clearing system between Beijing and Taipei that was formally established late January. Under the arrangement, individuals in Taiwan will be permitted to convert up to RMB20,000 and transfer up to RMB80,000 to China a day. The RMB that is not transferred to China will be allowed to be held in deposits in Taiwan's banks. BOC Taipei branch, the clearing bank for RMB in Taiwan, will accept deposits from local banks with excess RMB liquidity.
- **Indonesia's GDP growth moderated to 6.11% y/y in 4Q12 from 6.17% y/y in 3Q12,** coming in slightly below consensus expectation of 6.2%. This was the slowest growth pace in 2 years. Overall, full-year growth slowed to 6.2% in 2012 from 6.5% in 2011. During the fourth quarter, private consumption has maintained its firm growth while fixed investments growth eased. A sharper pace of recovery in imports continued to keep net exports and thus the country's current account under pressure. Going forward, we expect private consumption demand and investments to remain the key growth pillars for Indonesia. The sharp increase in the minimum wages will support consumption demand even as businesses are expecting some hit from the higher costs and the external demand remains on a weak recovery. While the 2014 presidential election could pose some risks for investors, we continue to see bright spots in infrastructure investments ahead amid the strong and stable growth in the country. For 2013, we are expecting Indonesia's GDP growth at 6.3%.
- **Philippine central bank said Tuesday that January's consumer price index data confirm its outlook** that inflation remains manageable and its current monetary policy stance "is still appropriate." The comments come after the statistics office reported consumer

prices rose 3.0%/y in Jan, within the central bank's 2.5%-3.4% target range. The central bank has set a 3%-5% inflation target for the full year this year.

■ **Singapore's Transport Minister Lui Tuck Yew has**

given the assurance that the transport infrastructure will have sufficient buffer to accommodate a possible 6.9 million population by 2030 and reiterated that the public transport model must try to provide for cost-efficiency and financial discipline.

Economic Indicators						
Date	Time	Indicators	Month	Actual	Market Forecast	Previous
05 Feb	0500	SK Foreign Exchange Reserve USD	Jan	328.91	-	326.97bn
	0830	TW CPI y/y	Jan	1.15	1.40	1.60%
	0830	TW WPI y/y	Jan	-3.81	-4.00	-3.95%
	0900	PH Core CPI y/y	Jan	3.0	3.0	2.9%
	0945	CN HSBC Services PMI	Jan	54.0	-	51.7
	1500	ID GDP Constant Price y/y	4Q	6.11	6.20	6.16%
	1500	ID GDP Constant Price q/q	4Q	-1.45	-1.30	3.18%
	1500	ID Annual GDP	2012	6.23	6.29	6.49
	1620	TW Foreign Exchange Reserves USD	Jan	406.56	-	403.17bn
07 Feb	-	ID Foreign Reserves USD	Jan		-	112.78bn
	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

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