

Asian Markets

Tuesday, 26 February 2013

Line-Up For The Day Ahead

- In Asia, the data calendar remains heavy today with focus on **Singapore's Jan industrial production (1 pm) and Taiwan's Jan export orders**. Consensus estimate for Singapore's Jan industrial production is at 5.9% y/y vs contraction of 0.6% y/y in Dec. Taiwan's export orders growth is expected to improve to 19.4% y/y in Jan from 8.5% y/y in Dec.

Forex

- China's Flash HSBC Manufacturing PMI unexpectedly dropped to 50.4 in Feb from a final reading of 52.3 in Jan.** Market's reaction to the weaker-than-expected data was muted, taking into consideration the potential distortions due to the timing of the Chinese New Year which fell in Jan last year and in Feb this year.
- Nonetheless, USD/AXJs mostly traded with a slightly higher bias on Mon ahead of the Italian election results.** KRW and TWD ended lower at 1,086.30/USD and 29.702/USD from 1,084.70/USD and 29.658/USD respectively. MYR was steady at 3.0980/USD.
- Uncertain outcome of the Italian senate led to the plunge in EUR/USD to a low of 1.3047 overnight. The risk aversion is expected to reverberate in the Asian session today, particularly as Fed Chairman Bernanke's Testimony could induce further upside to USD/AXJs.**

SGD

- USD/SGD managed to trade below 1.24 during the Ldn/NY session on Mon vs a high of 1.2407 during the Asian session.** SGD NEER is currently at 0.35% above the mid-point with +/-0.5% implying a range of 1.2360-1.2490 based on current FX levels. Domestic focus turns to the Jan industrial production data this afternoon after the 2013 Budget yesterday.

SGS

- SGS opened with short covering interest on Mon.** With Budget in the afternoon, it prompted buying just in case good things came in 3s (continuation of previous 2 days of buying). But the freight train did not arrive on schedule yesterday, hence we were left in relative peace to digest the Budget. 30y re-tap today, and

Foreign Exchange Rates (as of 25 Feb 2013)					
FX	Asian Close	Asian High	Asian Low	NY High	NY Low
SGD	1.2380	1.2407	1.2369	1.2398	1.2366
MYR	3.0980	3.1050	3.0960	-	-
IDR	9703	9711	9702	-	-
THB	29.80	29.86	29.80	-	-
PHP	40.68	40.73	40.68	-	-
TWD	29.702	29.702	29.620	-	-
KRW	-	-	-	-	-
HKD	7.7565	7.7570	7.7562	-	-
CNY	6.2337	6.2370	6.2310	-	-

UOB's Estimation of SGD NEER (as of 26 Feb 2013) Assuming 2.0% on each side of the pivot point	
Lower-End	1.2683
Upper-End	1.2185
Mid-Point	1.2429

Market Holiday	Date	Event
TW	28 Feb	Peace Day
SK	01 Mar	Independence Movement Day
ID	12 Mar	Saka 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%	07 Mar	5.75%
THB 1-Day Repo	2.75%	03 Apr	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 Mar	2.75%
HKD Base Rate	0.50%	-	0.50%
CNY 1-Yr Wking Capital	6.00%	-	6.00%

Stock Indices (as of 25 Feb 2013)	Closing	% chg	ytd % chg
FTSE Straits Times Index	3288.76	+0.02	+3.84
FTSE Bursa Malaysia KLCI Index	1627.35	+0.32	-3.65
Jakarta SE Composite Index	4696.11	+0.97	+8.79
Thailand SET Index	-	-	-
Philippines SE PSEi Index	6721.33	+0.84	+15.63
Taiwan SE Weighted Index	7947.68	-0.49	+3.22
Korea SE KOSPI Index	2009.52	-0.46	+0.62
Hong Kong Hang Seng Index	22820.08	+0.17	+0.72
Shanghai SE Composite Index	2325.82	+0.50	+2.50
India Sensex 30 Index	19331.69	+0.08	-0.49

the Italians have gifted the perfect conditions. Last year's inaugural cut of 2.83% is no longer attainable. Depending on the extent of risk aversion in today's opening, 2.70% on re-tap may even be a stretch. Baring a baby and bathwater session this morning, we are calling 2.71/2.68 for the re-tap.

- Opening levels: 2y 100.21/29 0.14/0.10; 5y 108.25/45 0.34/0.30; 10y 114.70/90 1.46/1.44; 15y 116.80/10 2.11/2.09; 20y 107.95/35 2.32/2.29; 30y 100.80/40 2.71/2.68.

RMB

- **RMB ended up 12 pips at 6.2339/USD on Mon compared to 6.2351/USD on Fri, despite a weaker fixing in the morning.** The PBoC set the RMB central parity firmer at 6.2856/USD this morning compared 6.2892/USD on Mon. Nonetheless, RMB upside is likely to be capped by the weaker global market sentiment today.

Equities

- **Stock indexes in Asia were mostly higher on Mon.** Despite the disappointing HSBC flash manufacturing PMI in China, the Shanghai CI ended up with 0.5% gains, driven by expectation of funds inflow into the local stocks after the relaxation of the RQFII rules. Similarly, Hang Seng Index eked out gains of 0.2% despite the government's announcement of more property-cooling measures last Fri. **Uncertainties in Italy and the plunge in the US stock indexes on Mon night are expected to turn markets into a risk-off mode in Asian session today.**

Economic News

- **Singapore's January headline inflation eased to 3.6% y/y** (+0.2% m/m), lower than consensus estimates of 4.0% y/y and December's 4.3%. Additionally, core inflation, which excludes private road transport

costs and accommodation, eased further to 1.2% y/y, from 1.9% a month ago.

- **Hong Kong's export and import growth** came in slightly below market's expectation at 17.6% y/y and 23.9% y/y in Jan from 14.4% y/y and 11.9% y/y respectively in Dec.
- **Bank of Korea's governor Kim Choong-soo** said that downside risks outweigh the upside to the country's growth. He highlighted concerns over the US budget cuts, weak European growth and the volatility in the JPY.

Singapore Budget 2013

- Budget 2013 fine-tunes Singapore's economic restructuring efforts that push for productivity and innovation, while alleviating immediate social and economic issues such as rising income inequality, tighter labour market, increasing business costs, and declining productivity growth rates.
- While further reducing Singapore's dependence on foreign labour using both quota and price mechanisms, the Budget also introduced an innovative Wage Credit Scheme that doubles up as an incentive to employ locals while encouraging productivity gains.
- Further re-distribution of wealth can be seen by schemes that subsidises incomes of low-wage and/or workers and enhancements of wealth taxes on wealthy residents.
- Overall budget surplus of \$3.9 billion (1.1% of GDP) in 2012, higher than initial government estimates of \$1.3 billion.
- For 2013, a budget surplus of \$2.4 billion (0.7% of GDP) is expected.

Economic Indicators						
Date	Time	Indicators	Month	Actual	Market Forecast	Previous
25 Feb	0945	CN HSBC Flash Manufacturing PMI	Feb	50.4	52.2	52.3
	1300	SG CPI m/m nsa	Jan	0.2	0.6	0.7%
	1300	SG CPI y/y	Jan	3.6	4.0	4.3%
	1630	HK Exports y/y	Jan	17.6	19.2	14.4%
	1630	HK Imports y/y	Jan	23.9	25.0	11.9%
	1630	HK Trade Balance	Jan	-27.5	-30.0	-48.0bn
26 Feb	0830	TW Unemployment Rate sa	Jan	4.20	4.20	4.21%
	0900	PH Trade Balance USD	Dec		-	-1586mn
	0900	PH Total Imports y/y	Dec		-	2.2%
	1300	SG Industrial Production m/m sa	Jan		2.0	5.4%
	1300	SG Industrial Production y/y	Jan		5.2	-0.6%
	1600	TW Export Orders y/y	Jan		17.6	8.5%
27 Feb	0500	SK Consumer Confidence	Feb		-	102
	0700	SK Current Account USD	Jan		-	2252.9mn
	0700	SK Goods Balance USD	Jan		-	2034mn
	1100	HK Annual GDP	2012		1.4	4.9%
	1100	HK GDP sa q/q	4Q		1.4	0.6%
	1100	HK GDP y/y	4Q		2.4	1.3%
	1600	TW Industrial Production y/y	Jan		16.80	2.39%
28 Feb	1530	TH Total Exports y/y	Jan		-	13.6%
	1530	TH Total Imports y/y	Jan		-	1.3%
	1530	TH Total Trade Balance USD	Jan		-	283mn
	1530	TH Current Account Balance USD	Jan		354	730mn
	1530	TH Overall Balance USD	Jan		-	799mn
	1630	HK Govt Mthly Budget Surp/Def HKD	Jan		-	51.7bn
	-	MY Unemployment Rate	4Q		-	3.0%

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