

# Asian Markets

Wednesday, 27 February 2013

## Line-Up For The Day Ahead

- Later today, Thailand will release January's trade numbers. Consensus estimates exports to grow 13.4%, while imports to grow by a larger 18.7%. With that, a negative trade balance of US\$2.06b is expected, slightly better than the \$2.37b a month ago.
- In the afternoon, Taiwan's industrial production will be released and is expected to follow the strong export orders released yesterday and achieve a growth of 16.8% in January. We will also see money supply numbers for January released for Taiwan.
- Hong Kong's 4Q 2012 (est.=2.4% y/y) and full year 2012 GDP (est. = 1.4%) will be released today.

## Forex

- At closing yesterday, the SGD closed lower against the USD at 1.2389/USD while the THB remained flattish at 29.82/USD. The TWD edged lower to reach 29.74/USD.

## SGD

- The USD/SGD traded at a range of 1.2382 – 1.2398 yesterday.** On a trade-weighted basis, the SGD NEER is trading at 0.35% above the midpoint this morning. We expect it to trade tightly between the midpoint and 0.5% above midpoint today, implying the USD/SGD range of 1.2428 – 1.2366 based on current FX levels.

## SGS

- Markets waiting to see if a semblance of government can be formed in Italy. Another election would probably set off another bout of risk aversion. SGS retaped 30y at 2.76% with bid to cover at 1.71. Overall not a bad result, with post auction market exchanging hands at higher prices. SGS had a volatile afternoon session as surplus duration from auction was hedged into flat-teners. Intraday moves higher in UST, then prompted short covers. Demand and supply was fairly balanced as we never managed to drift too far from +/- 2bp. IRS was more consistent by comparison and yields were pressured lower and closed around 5/6bp on the day. Bond swaps tightened up smartly as a result.
- Opening levels: 2y 100.14/22 0.18/0.14; 5y 108.10/30 0.38/0.33; 10y 114.05/25 1.53/1.51; 15y

Foreign Exchange Rates (as of 26 Feb 2013)					
FX	Asian Close	Asian High	Asian Low	NY High	NY Low
SGD	1.2389	1.2402	1.2382	1.2406	1.2382
MYR	3.1000	3.1065	3.0970	-	-
IDR	9705	9710	9700	-	-
THB	29.82	29.90	29.80	-	-
PHP	40.75	40.78	40.71	-	-
TWD	29.740	29.740	29.620	-	-
KRW	-	-	-	-	-
HKD	7.7577	7.7580	7.7564	-	-
CNY	6.2293	6.2338	6.2277	-	-

UOB's Estimation of SGD NEER (as of 27 Feb 2013) Assuming 2.0% on each side of the pivot point	
Lower-End .....	1.2680
Upper-End .....	1.2183
Mid-Point .....	1.2426

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 26 Feb 2013)	Closing	% chg	ytd % chg
FTSE Straits Times Index	3254.26	-1.05	+2.75
FTSE Bursa Malaysia KLCI Index	1624.18	-0.19	-3.83
Jakarta SE Composite Index	4663.03	-0.70	+8.02
Thailand SET Index	1530.32	-0.64	+9.94
Philippines SE PSEi Index	6630.67	-1.35	+14.07
Taiwan SE Weighted Index	7880.90	-0.84	+2.36
Korea SE KOSPI Index	2000.01	-0.47	+0.15
Hong Kong Hang Seng Index	22519.69	-1.32	-0.61
Shanghai SE Composite Index	2293.34	-1.40	+1.07
India Sensex 30 Index	19015.14	-1.64	-2.12

116.00/30 2.17/2.15; 20y 107.00/40 2.38/2.36; 30y 99.70/30 2.77/2.74.

## RMB

- This morning, the PBoC fixed the RMB mid-point at 6.2842/USD, lower than previous mid-point of 6.2856. Previous RMB close was 6.2295/USD.

## Equities

- As noted from our daily briefing yesterday, markets in Asia turned into a risk-off mode as news that no Italian party secured enough seats to win a majority in the country's upper house and the Senate. As the parties struggle to form a cohesive coalition, we expect further political deadlock and this will cause jittery market sentiments all over the world as concerns of Euro-zone uncertainties resurfaced.
- Market's fears could already be seen in the Italian bond market yesterday as yields on 10yr sovereign notes shot northwards from 4.45% the previous day to 4.87%. Italian-German sovereign spreads also jumped at a range of 57bps to 336bps, while the Euro fell to a 7-week low against the dollar.
- Gold price has climbed northwards since hitting a recent closing low \$1576.27 on 21st Feb (4 trading days ago) to reach a close of \$1613.76 yesterday. The climb looks set to continue.
- **Although supported by pretty good Asian economic data in recent days, the MSCI Asia ex Japan index could not escape the risk-off mode of investors. The tables have turned and the index had gone back down to levels seen in December last year. Further downside risks can be expected.**

- All major Asian markets closed lower yesterday, with the hardest hit including the Nikkei 225 (-2.26%), Sensex (-1.64%), Shanghai Composite (-1.4%), Hang Seng (-1.32%), and the Straits Times index (-1.05%). For the STI, all sectors closed lower yesterday. Financials took a hit from the announced budget measures on Monday and the political turmoil in Italy and closed 1.35% lower. The consumer goods (-1.35%) and oil & gas (-1.12%) sectors also dragged down the overall index. Looking at market breath of the STI, the percentage of its constituents trading above their respective 50-day moving average dropped sharply to 59%, from 72% a day ago. The weakness in the STI is expected to pick up some momentum in the near term.

## Economic News

- **Taiwan's January unemployment rate came in at 4.2%, in line with consensus estimates.** This is slightly lower than the previous 4.22%. Also, Taiwan's exports orders for January turned out better than expected and grew 18.0%, compared to consensus estimates of 17.6% and December's 8.5%.
- **Singapore's January industrial production fell 0.4% y/y** (-9.2% m/m SA). Although this is a smaller contraction than December's -0.6%, it came in much lower than consensus expectations of a 5.2% growth. Excluding the volatile biomedical manufacturing cluster, IP grew 3.3%y/y, showing that the overall decline was led by contraction in this cluster.
- **South Korea's trade numbers were just released this morning and both current account and goods balance showed improvement in January.** Trade surplus rose 5.3% y/y to reach \$2.25b, from a revised \$2.14b in the previous month.

Economic Indicators						
Date	Time	Indicators	Month	Actual	Market Forecast	Previous
26 Feb	0830	TW Unemployment Rate sa	Jan	4.20	4.20	4.21%
	0900	PH Trade Balance USD	Dec	-1275	-	-1589mn
	0900	PH Total Imports y/y	Dec	13.2	-	2.2%
	1300	SG Industrial Production m/m sa	Jan	-9.2	2.0	6.6%
	1300	SG Industrial Production y/y	Jan	-0.4	5.2	1.3%
	1600	TW Export Orders y/y	Jan	18.0	17.6	8.5%
27 Feb	0500	SK Consumer Confidence	Feb		102	102
	0700	SK Current Account USD	Jan	2253.6	-	2140.2mn
	0700	SK Goods Balance USD	Jan	2597	-	1917mn
	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		477	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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