UOB Economic-Treasury Research
Singapore Company Reg No. 193500026Z

Asian Markets

Monday, 04 March 2013

Line-Up For The Week

- **South Korea's Feb CPI** came in below expectation this morning at 1.4% y/y vs forecast of 1.6% and 1.5% in Jan. This should provide some room for another interest rate cut in the country. Despite the drop in the HSBC PMI for China and Taiwan in data released last week, the **HSBC Manufacturing PMI for South Korea** rose to 50.9 in Feb from 49.9 in Jan.

- **Singapore's Feb PMI** due later in the day could edge down slightly from 50.2 in Jan. **Hong Kong's Jan retail sales** is forecast to expand by 7.8% y/y in volume terms, compared to 8.1% y/y in Dec.

- Taiwan's Feb CPI is slated for announcement on Tue, followed by the country's trade numbers on Thur. The headline inflation is expected to rise to 2.7% y/y in Feb from 1.2% y/y in Jan. Meanwhile, consensus estimates are for contractions in Taiwan's exports and imports in Feb after more than 20% y/y growth in Jan due to the distortions from the timings of the Chinese New Year.

- **For this week, the focus is on China's National People's Congress (NPC) starting this Tue as well as the data dump at the end of the week.** On Friday, China will announce its Feb trade data with exports growth expected at 7.1% y/y vs 25.0% y/y in Jan. However, imports are likely to drop 8.0%y/y vs 28.8% y/y expansion in Jan. This will translate into a trade deficit in Feb vs a surplus of US$29.15 bn in the preceding month. More Chinese data for the month of Feb, including the consumer price index, production price index, industrial production, fixed asset investment and retail sales will be released on Saturday.

Central Bank Meeting

- **Bank Indonesia and Bank Negara are both due to announce their policy interest rates on Thur.** Both central banks are likely to remain on hold at 5.75% in Indonesia and 3.00% in Malaysia. While we expect Bank Negara to remain on hold for the year, comments from Bank Indonesia could give an indication on when the central bank would begin to raise interest rates given pressure on the IDR and the surprise jump in Feb inflation. Headline inflation rose to 5.31% y/y in Feb from 4.57% y/y in Jan due to higher electricity tariff and import controls on horticulture. This is close to

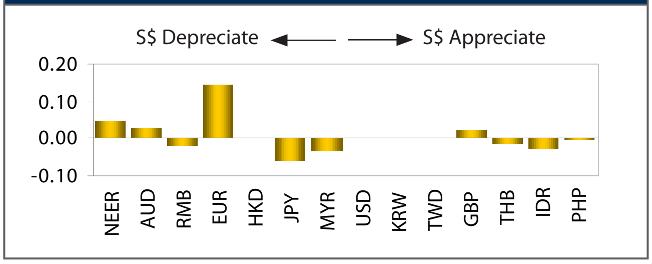
Foreign Exchange Rates (as of 01 Mar 2013)

FX	Asian Close	Asian High	Asian Low	NY High	NY Low
SGD	1.2379	1.2383	1.2368	1.2409	1.2371
MYR	3.0930	3.1015	3.0910	-	-
IDR	9676	9676	9668	-	-
THB	29.74	29.78	29.67	-	-
PHP	40.69	40.72	40.68	-	-
TWD	29.666	29.705	29.594	-	-
KRW	-	-	-	-	-
HKD	7.7553	7.7558	7.7549	-	-
CNY	6.2226	6.2235	6.2209	-	-

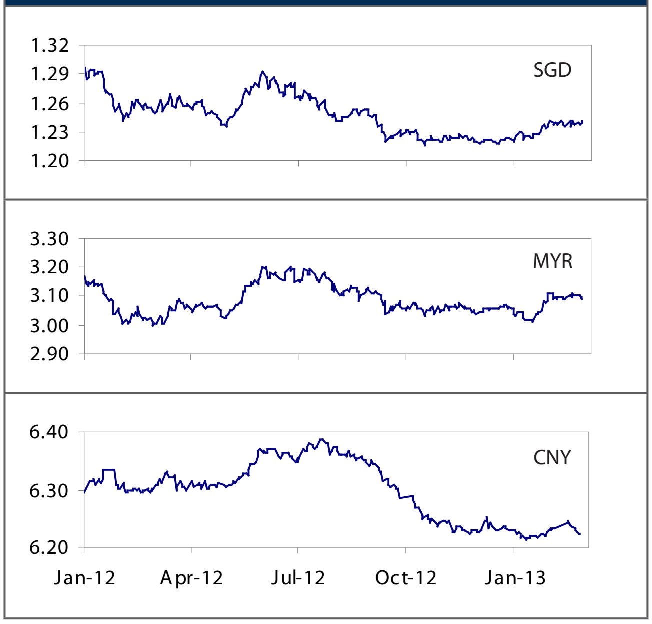
UOB's Estimation of SGD NEER (as of 04 Mar 2013)
Assuming 2.0% on each side of the pivot point

Lower-End	1.2704
Upper-End	1.2206
Mid-Point	1.2450

Weekly Change In SGD NEER, SGD / Other Currencies (%)



Asian Currencies



the upper-end of the central bank's inflation target of 3.5-5.5%. Still, Bank Indonesia is expected to raise the FASBI rate before it considers raising the BI rate.

Forex

- **Market sentiment turned slightly more cautious on Fri after both the official and HSBC manufacturing PMI for China showed manufacturing activities slowing down in China in Feb while Taiwan's HSBC manufacturing PMI showed manufacturing activities growing at a slower pace.**

- TWD ended up at 29.666/USD on Fri compared to 29.705/USD on Thur. MYR and IDR traded to 3.093/USD and 9,676/USD on Fri from 3.090/USD and 9,660/USD respectively on Thur. THB was slightly lower at 29.740/USD at the close of the Asian session on Fri vs 29.700/USD on Thur.

- **Broadly firmer USD during the Ldn/NY session on Fri is expected to extend into the Asian session today.**

SGD

- **USD/SGD rose higher this morning from its Ldn/NY session high of 1.2409 on Fri.** Over the past week, SGD was down around 0.2% against USD. SGD NEER has eased to around 0.2% above the mid-point from around 0.35% on Fri with +/-0.5% implying USD/SGD range of 1.2380-1.2510 based on current FX levels.

SGS

- **Global panic, mixed bag with the anitpodeans' stock lower and Japan higher this morning.** Gold still stuck at recent lows, whilst risk sensitive currencies remain depressed but not in freefall. SGS was on autopilot as current levels present good cruising altitude. 30y exchanged hands at the auction cut levels a few rounds. This being US non-farm payrolls (NFP) week, positioning will probably be light with adjustment flows the primary driver of price moves. Depending on the progression of data leading up to NFP, we may see PDs uncomfortable with flatteners look to exit positions ahead of NFP.

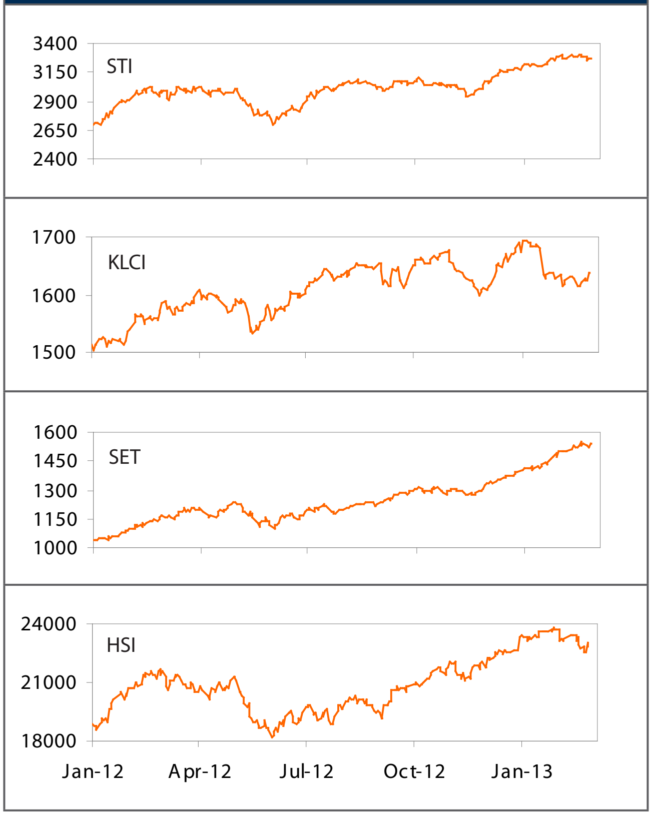
  Opening levels:
  2y 100.09/17 0.20/0.16
  5y 108.14/34 0.36/0.31
  10y 114.17/37 1.52/1.50
  15y 116.17/47 2.16/2.13
  20y 107.14/54 2.37/2.35
  30y 99.75/35 2.76/2.73

Market Holiday	Date	Event
ID	12 Mar	Saka New Year
PH	28 Mar	Maundy Thursday
SG/HK/ID/PH	29 Mar	Good Friday

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 01 Mar 2013)	Closing	% chg	ytd % chg
FTSE Straits Times Index	3269.50	-0.01	+3.23
FTSE Bursa Malaysia KLCI Index	1637.44	-0.01	-3.05
Jakarta SE Composite Index	-	-	-
Thailand SET Index	1539.60	-0.13	+10.61
Philippines SE PSEi Index	6642.27	-1.18	+14.27
Taiwan SE Weighted Index	7964.63	+0.84	+3.44
Korea SE KOSPI Index	-	-	-
Hong Kong Hang Seng Index	22880.22	-0.61	+0.99
Shanghai SE Composite Index	2359.51	-0.26	+3.98
India Sensex 30 Index	18918.52	+0.30	-2.62

Stock Indices



RMB

- **Spot RMB ended down at 6.2237/USD on Fri compared to 6.2213/USD on Thur after the PBoC guided the RMB fixing lower.** The central bank continued to set the RMB central parity weaker this morning, at 6.2822/USD compared to 6.2798/USD on Fri. The USD/RMB is expected to keep to a narrow range this week as the NPC starts off on Tue with investors watching comments from the new government closely.

Equities

- **Some profit-taking was seen in the Asian bourses on Fri as China's official PMI showed manufacturing activities growing at a slower pace in Feb.** The Shanghai CI and Hang Seng Index ended down 0.3% and 0.6% respectively on Fri. The STI and KLCI closed flat on Fri. Gains in the US stock indexes on Fri night should support sentiment in Asia today despite concerns over the US sequester.

Economic News

- **China announced further measures to tighten its property market on Fri given signs of recovery in the prices.** The new curbs announced include an increase in the capital gains tax to as high as 20% while PBoC local branches can increase the down-payment ratio and mortgage interest rate for buyers who already own a residential unit. The announcement came ahead of the NPC which is scheduled to start this Tue.

- **China's official non-manufacturing PMI** fell to 54.5 in Feb from 56.2 in Jan, indicating that the service sector has grown at a slower pace.

Economic Indicators						
Date	Time	Indicators	Month	Actual	Market Forecast	Previous
01 Mar	0800	SK Ext Trade - Export y/y	Feb	-8.6	-9.2	10.9%
	0800	SK Ext Trade - Imports y/y	Feb	-10.7	-9.1	3.9%
	0800	SK Ext Trade - Balance USD	Feb	2061	970	476mn
	0900	CN Manufacturing PMI	Feb	50.1	50.5	50.4
	0945	CN HSBC Manfacturing PMI	Feb	50.4	50.6	52.3
	1000	TW HSBC Manuacturing PMI	Feb	50.2	-	51.5
	1200	ID Inflation y/y	Feb	5.31	4.81	4.57%
	1200	ID Core Inflation y/y	Feb	4.29	4.40	4.32%
	1200	ID Exports y/y	Jan	-1.2	-1.2	-9.9%
	1200	ID Total Imports y/y	Jan	6.8	6.7	-5.4%
	1200	ID Total Trade Balance USD	Jan	-171	-147	-188mn
	1200	TH CPI y/y	Feb	3.23	3.30	3.39%
	1200	TH Core CPI y/y	Feb	1.57	1.60	1.59%
	1530	TH Foreign Reserves	Feb	179.2	-	179.7bn
04 Mar	0700	SK CPI m/m	Feb	0.3	0.5	0.6%
	0700	SK CPI y/y	Feb	1.4	1.6	1.5%
	0801	HSBC Manufacturing PMI	Feb		-	49.9
	1630	HK Retail Sales - Value y/y	Jan		9.8	8.8%
	1630	HK Retail Sales - Volume y/y	Jan		8.7	8.1%
	2130	SG PMI	Feb		50.3	50.2
	-	SG Foreign Reserves USD	Feb		-	258.8bn
	-	ID Foreign Reserves USD	Feb		-	108.78bn
05 Mar	0830	TW CPI y/y	Feb		2.90	1.15%
	0830	TW WPI y/y	Feb		-	-3.81%
	0900	PH CPI y/y	Feb		3.3	3.0%
	0900	PH CPI nsa m/m	Feb		-	0.5%
	0945	CN HSBC Services PMI	Feb		-	54.0
	1030	HK PMI	Feb		-	52.5
	1620	TW Foreign Exchange Reserves USD	Feb		-	406.56bn
	-	Ph Budget Deficit/Surplus	Feb		-	-11.6bn

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