

# Asian Markets

Thursday, 07 March 2013

## Line-Up For The Day Ahead

- The attention will be on the central bank meetings today while headlines out of the ongoing National People's Congress in China will also be of interest.** Besides BoJ, other central bank meetings during the Asian session today includes Bank Indonesia (SG time 2.30pm) and Bank Negara (SG time 6.00pm). 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 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.
- Data is scarce in Asia today and Taiwan's Feb trade data is probably of more interest.** 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. The data is due at SG time 4.00 pm.

## Forex

- USD/Asians traded lower during the Asian session on Wed before rebounding overnight after the stronger-than-expected Feb ADP employment data in the US. The DXY was up 0.45% on Wed.**
- The Asian session on Wed saw KRW and TWD pulling higher to end at 1,082.60/USD and 29.670/USD from 1,087.00/USD and 29.720/USD respectively on Tue.** Meanwhile, MYR and IDR remained steady at 3.1035/USD and 9,690/USD respectively on Wed. THB firmed to 29.700/USD at the Asian session from 29.750/USD on Tue.
- Sustained risk appetite which is bolstered by strong US data and a fresh record high in the DJIA overnight, could cap the USD/Asians today despite firmer USD overnight pushing USD/JPY up to a high of 94.11 while EUR/USD slipped below 1.30.

Foreign Exchange Rates (as of 06 Mar 2013)					
FX	Asian Close	Asian High	Asian Low	NY High	NY Low
SGD	1.2450	1.2451	1.2436	1.2487	1.2448
MYR	3.1035	3.1060	3.0990	-	-
IDR	9685	9690	9679	-	-
THB	29.70	29.78	29.65	-	-
PHP	40.69	40.70	40.67	-	-
TWD	29.670	29.720	29.606	-	-
KRW	-	-	-	-	-
HKD	7.7560	7.7562	7.7552	-	-
CNY	6.2179	6.2184	6.2150	-	-

UOB's Estimation of SGD NEER (as of 07 Mar 2013) Assuming 2.0% on each side of the pivot point	
Lower-End .....	1.2714
Upper-End .....	1.2216
Mid-Point .....	1.2460

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 06 Mar 2013)	Closing	% chg	ytd % chg
FTSE Straits Times Index	3291.81	+1.34	+3.94
FTSE Bursa Malaysia KLCI Index	1651.84	+0.59	-2.20
Jakarta SE Composite Index	4824.68	+1.54	+11.77
Thailand SET Index	1559.35	+0.65	+12.03
Philippines SE PSEi Index	6835.21	+1.84	+17.59
Taiwan SE Weighted Index	7950.30	+0.22	+3.26
Korea SE KOSPI Index	2020.74	+0.20	+1.19
Hong Kong Hang Seng Index	22777.84	+0.96	+0.53
Shanghai SE Composite Index	2347.18	+0.90	+3.44
India Sensex 30 Index	19252.61	+0.57	-0.90

## **SGD**

- **USD/SGD traded firmer on Wed, touching a high of 1.2487 during the Ldn/NY session from Asian session high of 1.2451.** The trade-weighted SGD NEER remains within +/-0.5% from the mid-point and is currently trading at -0.15%. For today, USD/SGD is likely to consolidate within a range of 1.2400-1.2520.

## **SGS**

- **Overnight US ADP data sets the tone into non-farm payrolls (NFP) this Fri.** Markets reacted as you would expect with USD strength, higher stocks and higher yields. Hurdle rate for a positive print in NFP is high with fact selling on marginal numbers a possibility. SGS had further lightening of duration yesterday, with belly the target dragging down the rest of the curve. Front end bonds bucking the trend with prices still supportive from short covers. FX forwards had a late day slump with incoming liquidity, we may see lower yields in today's MAS auctions – 28 days 0.27/0.23 and 84 days 0.29/0.25.

Opening levels:

2y	100.08/16	0.21/0.17
5y	108.08/28	0.37/0.32
10y	113.85/05	1.55/1.53
15y	115.65/95	2.19/2.17
20y	106.55/95	2.41/2.39
30y	99.10/70	2.80/2.77

## **RMB**

- **Spot RMB ended up 28 pips at 6.2181/USD on Wed from 6.2209/USD on Tue in line with broad USD/AXJs trade.** Investors are now expecting some monetary tightening in China as data suggests the resumption of capital inflows and the official M2 target was

set lower at 13% this year compared to 14% in 2012 (actual 13.8%) due to concerns over higher inflationary pressure. Yi Gang, deputy gov of PBoC said that China would use open market operations to mop up excess liquidity from the capital inflows. We still expect a modest RMB appreciation against USD this year. Separately, former deputy PBoC governor Wu Xiaoling said that the current 1% RMB trading band is sufficient and rejected calls for more widening.

- **This morning, the PBoC set the RMB central parity slightly weaker at 6.2785/USD compared to 6.2745/USD on Wed.**

## **Equities**

- hina, the Shanghai CI ended up 2.3%, as gains in the banking counters offset further declines in the Chinese developer counters on Tue. Chinese developers came under pressure following the announcement of a fresh round of property tightening measures on Fri with some of the details likely to be announced later this month. Elsewhere, Hang Seng Index rose 0.1% while STI gained 0.3% on Tue. **DJIA hitting a record high overnight is expected to provide some support to the regional equities in the Asian session today.**

## **Economic News**

- **Data from the PBoC** showed that the central bank and commercial banks bought a record RMB683.7 bn of FX in Jan compared to RMB134.6 bn in Dec, suggesting that capital has resumed flowing into China.
- **China** said the outstanding issues for its cross-border currency trading zone in Qianhai would likely be resolved in 1H13.

Economic Indicators						
Date	Time	Indicators	Month	Actual	Market Forecast	Previous
06 Mar	0500	SK Foreign Exchange Reserve USD	Feb	327.40	-	328.91bn
07 Mar	1130	TH Consumer Confidence Economic	Feb		-	72.1
	1600	TW Total Trade Bal USD	Feb		2.07	0.47bn
	1600	TW Total Exports y/y	Feb		-8.1	21.8%
	1600	TW Total Imports y/y	Feb		-7.3	22.3%
	1700	SG Foreign Reserves	Feb		-	258.84bn
	1700	MY Foreign Reserves	Feb 28		-	140.3bn
	1800	MYR O/N Policy Rate	Mar		3.00	3.00%
	-	HK Foreign Currency Reserves USD	Feb		-	321.0bn
	-	PH Foreign Reserves USD	Feb		-	85.3bn
	-	IDR O/N Rate	Mar		5.75	5.75%
	-	TH Consumer Confidence	Feb		-	81.7
08 Mar	1530	TH Foreign Reserves	Mar 1		-	-
	-	CN Trade Balance USD	Feb		-	29.15bn
	-	CN Exports y/y	Feb		-	25.0%
	-	CN Imports y/y	Feb		-	28.8%

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