Asian Markets

Friday, 08 March 2013

Line-Up For The Day Ahead

- **China will announce its Feb trade data at 10 am today.** Exports growth is expected at 8.1% y/y vs 25.0% y/y in Jan. However, imports are likely to drop 8.5%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.

- **China's Feb consumer price index, production price index, industrial production, fixed asset investment and retail sales will be released on Saturday.** CPI inflation is expected to pick up to 3.0% y/y from 2.0% y/y in Jan while the remaining economic indicators are expected to hold up. A stronger set of numbers could raise concerns about monetary tightening in China.

Forex

- **Markets turned more cautious on Thur ahead of key data scheduled in the US and China today, amid signs of potential monetary tightening in China. In addition to the new property curbs, PBoC's effort to mop up excess liquidity also raised concerns about slower credit growth in the country.**

- USD/AXJs were tad higher during the Asian session before easing overnight. Overall, DXY fell 0.46% on Thur. During the Asian session, KRW and TWD ended lower at 1,087.05/USD and 29.695/USD from 1,082.60/USD and 29.670/USD respectively on Wed. THB exited the session at 29.710/USD vs 29.700/USD on Wed. MYR and IDR were steady after the respective central banks announced to keep their interest rates steady on Thur, in line with consensus expectation.

SGD

- **USD/SGD touched a fresh 6-month high of 1.2497 during the Asian session vs 1.2487 on Wed, before consolidating lower in the Ldn/NY session on Thur.** The trade-weighted SGD NEER has rebounded to trade at the mid-point from -0.15% on Thur morning. SGD NEER at +/-0.5% from the mid-point implies USD/SGD range of 1.2390-1.2510 based on current FX levels.

SGS

- **Better claims print has the street out with their extrapolators for US non-farm payrolls tonight.**

Foreign Exchange Rates (as of 07 Mar 2013)					
FX	Asian Close	Asian High	Asian Low	NY High	NY Low
SGD	1.2484	1.2497	1.2478	1.2487	1.2441
MYR	3.1060	3.1120	3.1060	-	-
IDR	9690	9696	9690	-	-
THB	29.71	29.81	29.69	-	-
PHP	40.73	40.76	40.72	-	-
TWD	29.695	29.720	29.626	-	-
KRW	-	-	-	-	-
HKD	7.7563	7.7570	7.7559	-	-
CNY	6.2200	6.2217	6.2180	-	-

UOB's Estimation of SGD NEER (as of 08 Mar 2013) Assuming 2.0% on each side of the pivot point	
Lower-End	1.2705
Upper-End	1.2207
Mid-Point	1.2451

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%	09 May	3.00%
IDR O/N Rate	5.75%	11 Apr	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 07 Mar 2013)	Closing	% chg	ytd % chg
FTSE Straits Times Index	3298.54	+0.20	+4.15
FTSE Bursa Malaysia KLCI Index	1650.93	-0.06	-2.25
Jakarta SE Composite Index	4848.30	+0.49	+12.32
Thailand SET Index	1560.98	+0.10	+12.15
Philippines SE PSEi Index	6725.13	-1.61	+15.70
Taiwan SE Weighted Index	7960.51	+0.13	+3.39
Korea SE KOSPI Index	2004.40	-0.81	+0.37
Hong Kong Hang Seng Index	22771.44	-0.03	+0.51
Shanghai SE Composite Index	2324.29	-0.98	+2.43
India Sensex 30 Index	19413.54	+0.84	-0.07

Anything less than blockbuster will probably be a signal to take profit. SGS interest was driven by short covers. We may see some last minute position adjustments today, but volumes will likely remain under average. IRS moves higher are grinding with headwinds in the form of softer FX forwards and receivers in the back end. Whilst that lasts, SGS long bonds selloff will probably be contained, though we may see bond swaps continue to tighten.

Opening levels:
2y 100.07/15 0.21/0.17
5y 108.08/28 0.37/0.32
10y 113.80/00 1.55/1.53
15y 115.50/80 2.21/2.18
20y 106.40/80 2.42/2.40
30y 99.00/60 2.80/2.77

RMB

- **Spot RMB ended down 21 pips at 6.2202/USD on Thur** compared to 6.2181/USD on Wed after a weaker fixing. An expected trade deficit in Feb could help fend off pressure from the US to appreciate the RMB at a faster pace. The trade data is due this morning. The PBoC set the RMB central parity firmer at 6.2719/USD today compared to 6.2785/USD on Thur.

Equities

- **Asian equity indexes ended mixed on Thur.** Hang Seng Index closed flat while the Shanghai CI fell 1.0%. The STI ended with a marginal gain of 0.2% on Thur. Higher Dow on Thur will be positive but the US non-farm payrolls tonight and heavy Chinese data releases will be closely watched for directions ahead.

Economic News

- **Bank Indonesia** kept its benchmark interest rate steady at record low of 5.75% today, in line with market's expectation despite data showing a spike in the headline inflation in February. The overnight deposit facility (FASBI) rate was also unchanged at 4.00% following the last hike in August 2012. While downplaying the inflation concerns, Bank Indonesia also presented a more cautious view of the economy, expecting GDP growth to come in at the lower end of the 6.3-6.8% target range. This suggests that the central bank may not raise its benchmark interest rate soon even though we are still looking out for a 50bps hike in the FASBI rate this year. Worsening of the country's current account deficits and more pronounced IDR weakness could bring forward the rate hikes.

- **Bank Negara** kept its benchmark OPR unchanged at 3.00% on Thur in a widely-expected move. The central bank said that inflation has remained benign while strong domestic consumption and investment continued to drive growth.

- **Taiwan**'s exports contracted more than expected in Feb as it came in at -15.8% y/y vs growth of 21.6% y/y in Jan. Imports fell 8.5% y/y vs 25.7% y/y expansion in Jan. The swing in the data was due mainly to the timings of the Chinese New Year.

- **Former PBoC adviser Yu Yongding** said that China should expand the USD/RMB trading band to 5% or 7% to increase the flexibility of the exchange rate regime.

- Clarifying the new property measures, **China housing official** said it will exempt homeowners who sell their only homes which they have held for at least 5 years, from the 20% tax on profits.

Economic Indicators						
Date	Time	Indicators	Month	Actual	Market Forecast	Previous
07 Mar	1130	TH Consumer Confidence Economic	Feb	74.3	-	72.1
	1144	TH Consumer Confidence	Feb	84.0	-	81.7
	1444	IDR O/N Rate	Mar	5.75	5.75	5.75%
	1600	TW Total Trade Bal USD	Feb	0.92	2.07	0.47bn
	1600	TW Total Exports y/y	Feb	-15.8	-8.1	21.8%
	1600	TW Total Imports y/y	Feb	-8.5	-7.3	22.3%
	1628	ID Foreign Reserves USD	Feb	105.18	-	108.78bn
	1635	HK Foreign Currency Reserves USD	Feb	304.8	-	321.0bn
	1700	SG Foreign Reserves	Feb	259.14	-	258.84bn
	1700	MY Foreign Reserves	Feb 28	140.3	-	140.3bn
	1800	MYR O/N Policy Rate	Mar	3.00	3.00	3.00%
08 Mar	1000	CN Trade Balance USD	Feb		-6.90	29.15bn
	1000	CN Exports y/y	Feb		8.1	25.0%
	1000	CN Imports y/y	Feb		-8.5	28.8%
	1530	TH Foreign Reserves	Mar 1		-	179.2bn

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