

# Asian Markets

Monday, 11 March 2013

## Line-Up For The Week Ahead

- **The Asian data calendar is fairly light this week. Malaysia is scheduled to release Jan data on its trade and industrial production today.** Both export and import are expected to turn in positive growth following the contraction in Dec. Industrial production is forecast to expand at a faster clip of 5.5% y/y in Jan compared to 3.7% y/y in Dec.
- On Wed, South Korea's unemployment rate is expected to remain steady at 3.2%.
- In Singapore this week, the 4Q unemployment rate and the Jan retail sales data are due on Fri (15 Mar). The COE auction results during mid-week (13 Mar) will probably generate a lot of attention from Singaporeans following the recent Budget and MAS measures, but it is unlikely to produce any impact on the SGD or the domestic interest rates.
- Indonesia is on holiday on Tue (12 March).

## Central Bank Meetings

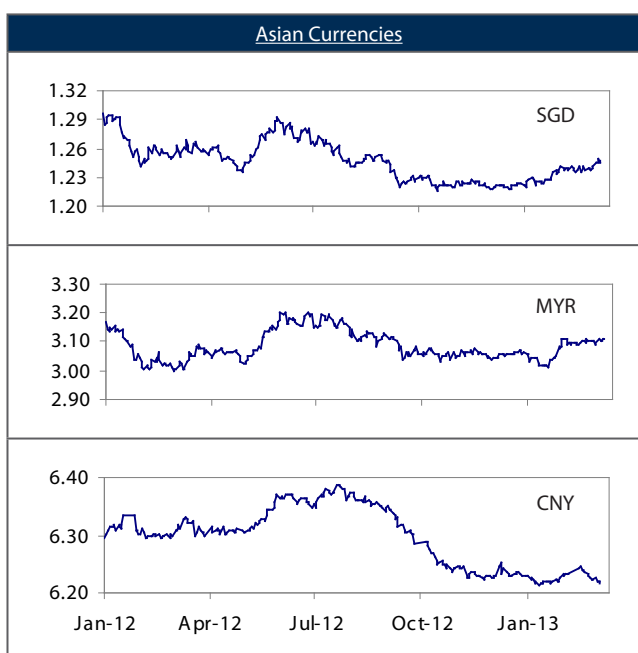
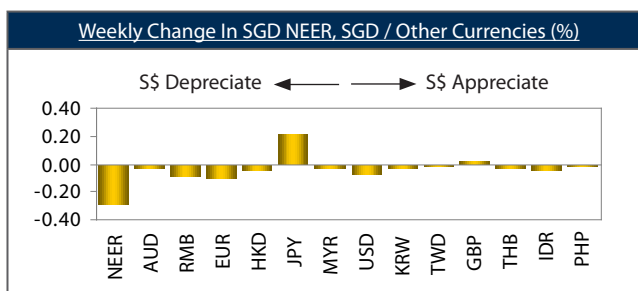
- **This week, the central banks of South Korea and the Philippines are scheduled to announce their interest rate decisions on Thur.** Both are expected to remain on hold with the BoK at 2.75% and the BSP at 3.50%. With headline inflation at a subdued 1.4% y/y, core inflation at 1.3% y/y in Feb and economic data remaining weak, we believe South Korea still has room for a 25bps interest rate cut this year. However, the last rate cut was in Oct last year and the BoK is unlikely to rush into another easing this month. Incoming data would remain the focus.

## Forex

- **Stronger-than-expected US non-farm payrolls lifted USD on Friday night while EUR/USD was weighed down by Fitch's downgrade of Italy to BBB+ from A-.** Overall, DXY was up 0.5% over the past week.
- KRW and TWD ended lower at 1,090.30/USD and 29.718/USD on Fri compared to 1,087.05/USD and 29.695/USD respectively on Thur. THB ended the Asian session unchanged at 29.710/USD. Risk appetite will be supported by further gains in the DJIA. That should

Foreign Exchange Rates (as of 08 Mar 2013)					
FX	Asian Close	Asian High	Asian Low	NY High	NY Low
SGD	1.2456	1.2470	1.2452	1.2497	1.2454
MYR	3.1045	3.1075	3.1005	-	-
IDR	9682	9687	9682	-	-
THB	29.71	29.71	29.63	-	-
PHP	40.68	40.73	40.68	-	-
TWD	29.666	29.705	29.594	-	-
KRW	-	-	-	-	-
HKD	7.7571	7.7574	7.7566	-	-
CNY	6.2145	6.2163	6.2133	-	-

UOB's Estimation of SGD NEER (as of 11 Mar 2013) Assuming 2.0% on each side of the pivot point	
Lower-End .....	1.2704
Upper-End .....	1.2746
Mid-Point .....	1.2491



cap upside on the USD/AXJs today despite the broadly stronger USD on Friday night.

## SGD

- **USD/SGD was rangebound within 1.2452-1.2497 on Friday.** The trade-weighted SGD NEER trades at around the mid-point this morning. SGD NEER at +/- 0.5% from the mid-point implies USD/SGD range of 1.2430-1.2550 based on current FX levels.

## SGS

**Strong NFP validates the runs higher in equities and USD strength. Reaction to the print was muted as expectations were already buoyant going in.** Rates may look to test the yield highs, with long-end auction this week. As expected, SGS was light on Friday. Activity was triggered by shorts covering ahead of NFP. Given where UST and equities are sitting now, we expect higher SGS sensitivities towards the range highs as we wrestle between "breakouts/no breakouts".

Opening levels

2y 100.07/15 0.21/0.17  
5y 108.05/25 0.37/0.32  
10y 113.60/80 1.57/1.55  
15y 115.25/55 2.22/2.20  
20y 106.10/50 2.44/2.42  
30y 98.70/30 2.81/2.79

## RMB

- **RMB ended up 55 pips at 6.2147/USD on Fri compared to 6.2202/USD on Thur.** Stronger-than-expected exports in Feb which resulted in a trade surplus instead of a deficit as market expected, would likely put some appreciation pressure on the RMB. **The PBoC set the RMB central parity weaker at 6.2769/USD this morning compared to 6.2719/USD on Fri.**

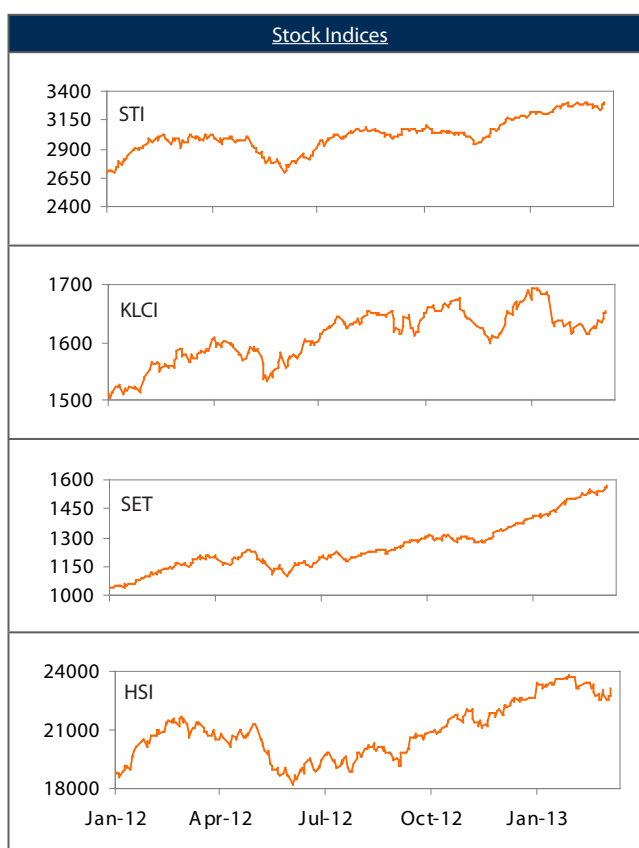
## Equities

- **The MSCI Asia Ex Jp index was up 0.5% over the past week with sentiment boosted by fresh record highs in the DJIA on the back of supportive US data.** Strong export data from China led the rally in the Hang Seng Index on Fri which ended up 1.4% even as the Shanghai CI fell 0.2% ahead of more February data in the country scheduled during the weekend. The STI lost 0.3% while the KLCI rose 0.2% on Fri. US economic data this week including the retail sales and industrial production will determine the sustainability of the recent bullish sentiment.

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 08 Mar 2013)	Closing	% chg	ytd % chg
FTSE Straits Times Index	3289.53	-0.27	+3.87
FTSE Bursa Malaysia KLCI Index	1653.96	+0.18	-2.07
Jakarta SE Composite Index	4874.50	+0.54	+12.92
Thailand SET Index	1566.92	+0.38	+12.57
Philippines SE PSEi Index	6833.77	+1.62	+17.57
Taiwan SE Weighted Index	8015.14	+0.69	+4.10
Korea SE KOSPI Index	2006.01	+0.08	+0.45
Hong Kong Hang Seng Index	23091.95	+1.41	+1.92
Shanghai SE Composite Index	2318.61	-0.24	+2.18
India Sensex 30 Index	19683.23	+1.39	+1.32



## Economic News

- Over the weekend, data from China showed **industrial production** growth easing to 9.9% y/y in Jan-Feb, from 10.3% in Dec. **Retail sales** unexpectedly slowed to 12.3% y/y in Jan and Feb vs 15.2% y/y in Dec. However, **fixed asset investment** picked up to 21.2% y/y in Jan-Feb, compared with 20.6% in the full year of 2012. China's **CPI inflation** strengthened to 3.2% y/y in Feb, from 2.0% in Jan and was driven partly by the Chinese New Year. This was also higher than market's expectation of 3.0%. Food costs surged 6.0% y/y while non-food was subdued at 1.6%y/y. Nonetheless, **PPI inflation** remained negative at -1.6% y/y which should cap the rise in inflation ahead. **Total new RMB loans** was below expectation at RMB620 bn in Feb and was moderated from RMB1.07 tn in Jan. **M2** was up 15.2% y/y at the end of Feb, lower than 15.9% end-Jan. **The data suggests the growth rebound in China is still uneven and therefore, the PBoC is unlikely to tighten its monetary policy too aggressively in the short-term via interest rates or the reserve requirement ratio.**
- **China Securities Depository and Clearing Corp** said it will allow Hong Kong, Taiwan and Macau residents living in the mainland to trade A-share equities from April 1.
- **China has announced plans to revamp its government agencies. China's Railways Ministry** will be dismantled and the Ministry of Transport will absorb its administrative duties. A new entity, China Railway Corp, will be in charge of the operational and commercial areas.

Economic Indicators						
Date	Time	Indicators	Month	Actual	Market Forecast	Previous
08 Mar	1000	CN Trade Balance USD	Feb	15.25	-6.90	29.15bn
	1000	CN Exports y/y	Feb	21.8	8.1	25.0%
	1000	CN Imports y/y	Feb	-15.2	-8.5	28.8%
	1530	TH Foreign Reserves	Mar 1	179.1	-	179.2bn
09 Mar	0930	CN CPI y/y	Feb	3.2	3.0	2.0%
	0930	CN PPI y/y	Feb	-1.6	-1.5	-1.6%
	1330	CN Industrial Production y/y	Feb	9.9	10.6	10.0%
	1330	CN Retail Sales y/y	Feb	12.3	15.0	14.3%
11 Mar	1201	MY Imports y/y	Jan		2.6	-6.5%
	1201	MY Exports y/y	Jan		1.6	-5.8%
	1201	MY Trade Balance	Jan		8.35	8.24bn
	1201	MY Industrial Production y/y	Jan		5.5	3.7%
12 Mar	0900	PH Total Exports y/y	Jan		6.1	16.5%
13 Mar	0500	SK Export Price Index y/y	Feb		-	-8.1%
	0500	SK Import Price Index y/y	Feb		-	-10.6%
	0700	SK Unemployment Rate sa	Feb		3.2	3.2%
	0900	PH Unemployment Rate	Jan		-	6.8%
14 Mar	0900	KRW Base Rate	Mar		2.75	2.75%

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