

Asian Markets

Thursday, 14 March 2013

Line-Up For The Day Ahead

- **The South Korea central bank kept its base rate steady at 2.75% this morning in line with market consensus.** We believe there is room for a 25bps interest rate cut this year. South Korea's headline inflation was at a subdued 1.4% y/y, core inflation at 1.3% y/y in Feb and economic data has remained weak. The last rate cut was in Oct last year. Incoming data would remain the focus.
- **The Philippines central bank is due to announce its interest rate decision at SG time 4 pm today.** Similarly, the BSP is expected to hold interest rate at record low of 3.50%. Nonetheless, it may further lower the rate on its special deposit account (SDA) facility to stem the gains in the PHP.

Forex

- **Stronger-than-expected Feb US retail sales gave a further boost to the USD on Wed. Wed's retail sales and employment data last week reinforced expectation of growth recovery in the US. This saw EUR/USD slipping under 1.30 during the Ldn/NY session and could lead to stronger USD/AXJs bias in Asian session today.**
- **USD/AXJs mostly traded in familiar ranges during the Asian session on Wed.** KRW finished lower at 1,097.40/USD on Wed vs 1,095.20/USD on Tue as Japan's monetary easing raised concerns over Korea's export competitiveness. TWD and MYR were little-changed at 29.735/USD and 3.1070/USD respectively on Wed. THB firmed to end at 29.610/USD on Wed compared to 29.660/USD on Tue after the BoT dismissed concerns over the THB appreciation.

SGD

- **USD/SGD traded higher to 1.2499 overnight as it tracked the weakness in EUR/USD.** The pair was largely rangebound on Wed as it traded within 1.2461-1.2499. The trade-weighted SGD NEER was slightly below the mid-point this morning with +/-0.5% from the mid-point implying USD/SGD range of 1.2410-1.2530 based on current FX levels.

Foreign Exchange Rates (as of 13 Mar 2013)					
FX	Asian Close	Asian High	Asian Low	NY High	NY Low
SGD	1.2463	1.2478	1.2461	1.2499	1.2462
MYR	3.1075	3.1095	3.1000	-	-
IDR	9688	9696	9687	-	-
THB	29.61	29.63	29.59	-	-
PHP	40.58	40.60	40.56	-	-
TWD	29.735	29.739	29.640	-	-
KRW	-	-	-	-	-
HKD	7.7571	7.7578	7.7569	-	-
CNY	6.2137	6.2159	6.2133	-	-

UOB's Estimation of SGD NEER (as of 14 Mar 2013) Assuming 2.0% on each side of the pivot point	
Lower-End	1.2728
Upper-End	1.2229
Mid-Point	1.2473

Market Holiday	Date	Event
PH	28 Mar	Maundy Thursday
SG/HK/ID/PH	29 Mar	Good Friday
HK	01 Apr	Easter Monday

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 13 Mar 2013)	Closing	% chg	ytd % chg
FTSE Straits Times Index	3288.52	-0.44	+3.83
FTSE Bursa Malaysia KLCI Index	1646.22	-0.62	-2.53
Jakarta SE Composite Index	4835.44	-0.39	+12.02
Thailand SET Index	1578.70	+0.13	+13.42
Philippines SE PSEi Index	6776.56	-0.15	+16.58
Taiwan SE Weighted Index	7995.51	+0.01	+3.84
Korea SE KOSPI Index	1999.73	+0.32	+0.13
Hong Kong Hang Seng Index	22556.65	-1.46	-0.44
Shanghai SE Composite Index	2263.97	-0.99	-0.23
India Sensex 30 Index	19362.55	-1.03	-0.33

SGS

Good retail sales offset by good bond auction, prices are still holding the range. SGS saw early short cover trades but did not last long when follow through didn't materialise. Some better selling in the belly readjusted the curve back to unchanged levels. The recent 3y HDB bond printed at 34bp over swaps, a healthy spread and even more so when you compare to the 2016 SGS which are yielding around 0.20%.

Opening levels:

2y 100.11/19 0.19/0.15

5y 108.10/30 0.36/0.31

10y 113.65/85 1.57/1.55

15y 115.15/45 2.23/2.21

20y 106.10/50 2.44/2.42

30y 98.95/55 2.80/2.77

RMB

- **Spot RMB ended up 24 pips at 6.2138/USD on Wed from 6.2162/USD on Tue as the PBoC continued with a firmer RMB fixing.** 1Y RMB NDF was at 6.3005/USD and pricing in 1.4% depreciation against USD. **The PBoC set the RMB central parity marginally lower today at 6.2752/USD compared to 6.2726/USD on Wed.**

Equities

- **Concerns over tightening in China's property and money market continued to weigh on sentiment in Asia on Wed even as the Dow continued to edge higher.** Shanghai CI dropped for the 5th straight session, as it ended down 1.0% at a 2-month low. Comments from PBoC gov Zhou Xiaochuan on Wed continued to reinforce views that the monetary policy in

China is set to tighten slightly from last year. The Hang Seng Index and Nikkei lost 1.5% and 0.6% respectively on Wed. The STI fell 0.4% on Wed.

Economic News

- **PBoC gov Zhou Xiaochuan** highlighted concerns over the inflation and said that China will stabilize inflation expectation using monetary policies. He said that controlling the money supply growth this year will prevent a spike in inflation. For the property market, he said "structural" policies would be used rather than monetary policy. The central bank will continue with efforts towards interest rate reform and speed up the introduction of private capital in the financial sector.
- **China** is reportedly working on plans to tighten controls over local government borrowing which would require regulators and banks to monitor and cap total lending to the local government's financing vehicles.
- **Thailand's Fin Min** said that relatively higher interest rates in the country has led to THB gains as he called for interest rate cut in the country.
- **Indonesia's vice Fin Min** said the government could raise prices of subsidized fuel in the country but not without trying out other options first.
- **RBNZ maintained its interest rate at a record low of 2.5% on Thur** and said it was committed to keep interest rates steady for the rest of the year, though not ruling out easing if the NZD strength was not justified by its economic fundamentals.

Economic Indicators						
Date	Time	Indicators	Month	Actual	Market Forecast	Previous
13 Mar	0500	SK Export Price Index y/y	Feb	-5.6	-	-8.1%
	0500	SK Import Price Index y/y	Feb	-8.6	-	-10.6%
	0700	SK Unemployment Rate sa	Feb	3.5	3.2	3.2%
	0900	PH Unemployment Rate	Jan		-	6.8%
14 Mar	0900	KRW Base Rate	Mar		2.75	2.75%

Jimmy Koh
(65) 6539 3545
Jimmy.KohCT@UOBgroup.com

Suan Teck Kin, CFA
(65) 6539 3922
Suan.TeckKin@UOBgroup.com

Ho Woei Chen
(65) 6539 3948
Ho.WoeiChen@UOBgroup.com

Francis Tan
(65) 6539 3923
Francis.TanTT@UOBgroup.com

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