

Asian Markets

Friday, 15 March 2013

Line-Up For The Day Ahead

- **Light data in Asia today with Singapore's Jan retail sales due at 1 pm.** China's National People's Congress (NPC) which will end on Sunday continues to hold attention with the political transition.

Forex

- **USD/AXJs traded firmer during the Asian session on Thur.** KRW led the declines as it touched a 5-month low at 1,110.70/USD before ending down 1.0% at 1,109.00/USD. BoK kept interest rate steady at its monetary policy meeting yesterday while tension with North Korea was also weighing on the KRW. TWD closed at its session low of 29.800/USD on Thur compared to 29.735/USD on Wed. MYR and IDR ended lower at 3.1110/USD and 9,700/USD respectively vs 3.1075/USD and 9,688/USD respectively on Wed. THB was lower at 29.630/USD at the close of the Asian session compared to 29.610/USD on Wed.
- **Upside surprise in the US initial claims data overnight provided further boost to the USD before profit-taking set in. That could see USD/AXJs rangebound today.**

SGD

- **USD/SGD touched a high of 1.2529 during the Ldn/ NY session on Thur vs recent high of 1.2510 on Mon.** The pair subsequently pulled back and is currently trading slightly below 1.25 with the trade-weighted SGD NEER at 0.15% below the mid-point. SGD NEER is likely to remain within +/-0.5% which would imply USD/SGD range of 1.2400-1.2530 based on current FX levels. The Jan retail sales this afternoon is unlikely to have impact on the FX market.

SGS

- **Equities continue their grind higher.** Correction must be at the back of everyone's mind, but data has been supportive and politics on both sides of the Atlantic have not made front page news. SGS had some late day long bonds selling in line with softer UST that drove yields higher by 3bp to 4bp, dip buying in the midst of second round covers eventually stabilized prices. IRS remained unfazed by SGS moves, bond swaps thus tightened up by around 2bp.

Foreign Exchange Rates (as of 14 Mar 2013)					
FX	Asian Close	Asian High	Asian Low	NY High	NY Low
SGD	1.2493	1.2502	1.2471	1.2529	1.2486
MYR	3.1110	3.1135	3.1060	-	-
IDR	9700	9710	9690	-	-
THB	29.63	29.66	29.63	-	-
PHP	40.63	40.65	40.55	-	-
TWD	29.800	29.800	29.660	-	-
KRW	-	-	-	-	-
HKD	7.7571	7.7583	7.7570	-	-
CNY	6.2145	6.2165	6.2137	-	-

UOB's Estimation of SGD NEER (as of 15 Mar 2013) Assuming 2.0% on each side of the pivot point	
Lower-End	1.2723
Upper-End	1.2224
Mid-Point	1.2469

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%	25 Apr	3.50%
TWD Discount Rate	1.88%	21 Mar	1.88%
KRW Base Rate	2.75%	11 Apr	2.75%
HKD Base Rate	0.50%	-	0.50%
CNY 1-Yr Wking Capital	6.00%	-	6.00%

Stock Indices (as of 14 Mar 2013)	Closing	% chg	ytd % chg
FTSE Straits Times Index	3279.50	-0.27	+3.55
FTSE Bursa Malaysia KLCI Index	1640.74	-0.33	-2.85
Jakarta SE Composite Index	4786.37	-1.01	+10.88
Thailand SET Index	1586.79	+0.51	+14.00
Philippines SE PSEi Index	6694.71	-1.21	+15.17
Taiwan SE Weighted Index	7951.76	-0.55	+3.28
Korea SE KOSPI Index	2002.13	+0.12	+0.25
Hong Kong Hang Seng Index	22619.18	+0.28	-0.17
Shanghai SE Composite Index	2270.28	+0.28	+0.05
India Sensex 30 Index	19570.44	+1.07	+0.74

- Opening levels:
2y 100.10/18 0.20/0.15
5y 108.10/30 0.35/0.31
10y 113.45/65 1.59/1.57
15y 114.85/15 2.25/2.23
20y 105.75/15 2.47/2.44
30y 98.75/35 2.81/2.78

RMB

- **RMB dropped 17 pips to end at 6.2155/USD on Thur from 6.2138/USD on Wed in line with the broad Asian currencies move.** 1Y RMB NDF eased to 6.3040/USD on Thur from 6.3005/USD, pricing in 1.4% depreciation against USD. Weak JPY as well as other Asian currencies would limit the appreciation in the RMB in the near-term. **This morning, the PBoC set the RMB central parity firmer at 6.2723/USD compared to 6.2752/USD on Thur.**

Equities

- **Asian equities mostly rebounded on Thur.** Shanghai CI broke a 5-day losing streak to end up 0.3% while Nikkei surged 1.2%. Hang Seng Index added 0.3% while the STI fell 0.3% on Thur. Overnight, the DJIA continued to edge higher, ending up for the 10th consecutive session. The strength in US stocks could provide some support to the Asian bourses today.

Economic News

- **As expected, the South Korea central bank kept its base rate steady at 2.75% on Thur.** The BoK expects

economic improvement in 1Q13 from 4Q12 but noted that there remains growth risks ahead. BoK Governor Kim Choong-soo said that the decision was not unanimous and output gap remains negative which would require some economic stimulus. 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 held its overnight borrowing rate steady at record low of 3.50% and cut the interest rate on its special deposit account (SDA) facility by 50 bps to 2.5% with immediate effect.** The BSP also raised its inflation forecast to 3.3% from 3.0% previously for 2013 and 3.3% from previous 3.2% for 2014. This is at the lower end of the BSP's 3-5% inflation target.
- **Xi Jinping** was elected president of the People's Republic of China (PRC) and chairman of the PRC Central Military Commission (CMC) on Thursday. Li Yuanchao was elected vice president and Zhang Dejiang was elected chairman of the NPC Standing Committee.
- **China's housing minister** said that housing prices would drop this year as the government strictly implements recently announced measures which impose a 20% capital gains tax on sellers and stricter requirements on buyers.

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	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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