

Asian Markets

Tuesday, 19 March 2013

Line-Up For The Day Ahead

- Developments in Cyprus remain closely watched today as its parliament postponed the approval for a deposit tax levy to later today and extended the bank holiday an additional day to Wed. Nevertheless, risk off sentiment is expected to remain, keeping pressures on EUR and risky assets while benefitting safe haven assets like US dollar, CHF and gold.
- Today's highlight in Asia will be India's RBI rate decision (130pm) which is widely expected to see a 25bps cut to its repo rate to 7.5% as inflationary pressures ease off. BoJ outgoing governor Shirakawa and two deputy governors will also be stepping down today.

Forex

- No surprise on Mon when risk off trade dominated after news from the weekend** that Eurozone's bailout of Cyprus requires all depositors in the country to "burden share" the rescue with a deposit tax levy. Safe haven currencies benefited from the rush with EUR hovering near year's low levels. In Asia, most currencies retreated in response to the Cyprus bailout conditions. TWD fell 0.2% to 29.815/USD after touching low of 29.825 earlier, the weakest level since 10 Sep close. Earlier, Taiwan's central bank governor Perng Fai-nan said the authorities haven't devalued the local dollar continuously in the past 15 years, in response to lawmakers' questions on Mon. KRW came off 0.3% to close at 1,114.70/USD, extending to eight days the longest losing streak since August 2008. The currency earlier touched low of 1,119.05/USD, the weakest since 27 Sep. IDR fell for a fourth day, as the unit dropped 0.1% to 9,713/USD late Mon. MYR edged down to a seven-month low, as the unit eased 0.3%, its third day of decline, to 3.1316/USD. It touched 3.1395, the weakest level since 15 Aug. THB dropped 0.1% to 29.56/USD after touching the 1997 high of 29.45 earlier in the day.

SGD

- SGD weakened 0.2% on Mon in reaction to broad based selloffs from risky assets**, to 1.2498/USD late yesterday, though managed to recover from low of 1.2522 earlier in the session, which was also pressured by the sharply weaker external trade report for Feb. The S\$ trade weighted index edged up slightly to 0.1% below the midpoint early this morning from -0.3% yes-

Foreign Exchange Rates (as of 18 Mar 2013)					
FX	Asian Close	Asian High	Asian Low	NY High	NY Low
SGD	1.2502	1.2522	1.2502	1.2508	1.2485
MYR	3.1300	3.1390	3.1230	-	-
IDR	-	-	-	-	-
THB	29.54	29.60	29.54	-	-
PHP	40.70	40.72	40.68	-	-
TWD	29.815	29.825	29.680	-	-
KRW	-	-	-	-	-
HKD	7.7606	7.7608	7.7600	-	-
CNY	-	-	-	-	-

UOB's Estimation of SGD NEER (as of 19 Mar 2013) Assuming 2.0% on each side of the pivot point	
Lower-End	1.2730
Upper-End	1.2230
Mid-Point	1.2475

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 18 Mar 2013)	Closing	% chg	ytd % chg
FTSE Straits Times Index	3256.47	-0.90	+2.82
FTSE Bursa Malaysia KLCI Index	1621.36	-0.39	-4.00
Jakarta SE Composite Index	4802.83	-0.34	+11.26
Thailand SET Index	1591.65	-0.41	+14.35
Philippines SE PSEi Index	6536.18	-1.78	+12.45
Taiwan SE Weighted Index	7811.34	-1.47	+1.45
Korea SE KOSPI Index	1968.18	-0.92	-1.45
Hong Kong Hang Seng Index	22083.36	-2.00	-2.53
Shanghai SE Composite Index	2240.02	-1.68	-1.28
India Sensex 30 Index	19293.20	-0.69	-0.69

terday morning, and is likely to hover within the 0.0% to -0.5% range for now, which implies USD/SGD range of 1.2480-1.2550.

SGS

- **Overnight markets softer as you would expect. Being further from the trade, Asia was mostly about throwing out babies with bathwater**, with lows in stock futures, yields and EUR. Closer to the epicenter it was clam and carry on; lows were taken back and the damage was less bloodbath and more paper cut. The risk of markets running with the contagion trade is still real, so prefer to wait for some signs of stability before committing too much capital. SGS as expected blew through the relatively cheaper offers to settle in the next 3bp bid offer zone. Yields were content being 5/6bp lower until the afternoon session where weakness was reversed. PDs are still weary of getting overweight long end, with every weakness in UST drawing out better offers there. Bond swaps have been steadily tightening reflecting PDs light inventory and thus the absence of hedging needs. Opening levels 2y 100.13/21 0.18/0.14 5y 108.15/35 0.34/0.29 10y 113.70/90 1.56/1.54 15y 115.15/45 2.23/2.21 20y 106.10/50 2.44/2.42 30y 99.25/85 2.79/2.76.

RMB

- **RMB eased 0.04% to close at 6.2158/USD in Shanghai on Mon**, in line with "risk off" trade in global markets as well as a weaker central parity which fell 0.03% to 6.2741/USD on Mon. Offshore CNH fell 0.1% to 6.2085/USD while 12-month NDF contracts are pricing in a 1.5% discount to the onshore spot rate. Today's actions could see some revival as sentiment appears to have stabilized though contagion risks remain real as Cyprus extended its banking holiday for another day on Wed. In China, US Treasury Sec Jacob J. Lew is due to visit Beijing for two days starting Tue in his first foreign visit, and will be meeting newly installed President Xi Jinping today later with FinMin Lou Jiwei. Lew, who has pledged to press China to adopt a "market-determined" exchange rate, last month cited "progress" by the Asian nation and said more needs to be done. China is the biggest foreign owner of US Treasuries, with US\$1.26tn in holdings as of Jan 2013. China is the biggest trading partner for the US after Canada, with two-way trade in 2012 reaching US\$536.2bn, and the deficit on the US side at US\$315bn in 2012, more than any other nation.

Equities

- **Asian markets fell across the board on Mon and the euro sank as eurozone fears returned on news that Cyprus was planning to tax bank depositors to**

pay for part of an international bailout of its banking sector. Nikkei 225 fell 2.71%, or 340.32 points, to end at 12,220.63, while Kospi ended 0.92% lower, or 18.32 points to 1,968.18. Hang Seng lost 2.00%, or 449.75 points, to end at 22,083.36 and Shanghai Composite shed 1.68%, or 38.39 points, to 2,240.02. Taiex fell 1.47%, or 116.15 points, to 7,811.34, the third day of declines for the index. Phil Composite fell 1.78%, or 118.42 points, to 6,536.18. STI lost 0.9% or 29.58 points to 3,256.47 on a volume of 2.8 billion shares.

Economic News

- **Media reports said on Mon that Cypriot parliament wants the terms of the bank bailout deal amended** and voting on the deal will be delayed by one day to Tue. The parliament in Cyprus has to back the bailout proposal in order for it to pass.
- **China can make the RMB convertible under the capital account in 10 years** if there aren't "large" changes in the international markets, and to complete interest rate liberalization and market-based exchange rate reforms, Liu Shiyu, deputy governor of PBoC said in a speech in Beijing.
- **Senior Chinese military officials have admitted for the first time** that a frigate locked its radar on a Japanese destroyer during the two nations' row over disputed islands, Kyodo News reported Mon.
- **Bank of China Taipei branch was granted a quarterly RMB conversion quota of RMB20b**, Hong Kong Economic Journal reported Mon citing an unidentified spokesperson for Taiwan's central bank, allowing the branch to convert RMB with the PBoC using an onshore window. Hong Kong also has the same quarterly quota, according to the report.
- **In its latest Asia Bond Monitor report, the Asian Development Bank (ADB) warns** that governments need to be careful that the surge in capital inflows does not fuel excessive rises in asset prices, as the growing bond markets in Asia may well increase the risk of asset price bubbles.
- **Singapore's February NODX plunged 30.6% y/y, as exports of both non-electronic (-32.0%) and electronic (-27.4%) segments declined sharply** due to the base effects of Chinese New Year. Non-electronic NODX was dragged down by a 56.5% drop in the volatile pharmaceuticals exports. A more robust global economic condition this year will likely lead to an improvement in Singapore's export trade and NODX is forecasted to grow 4% this year.

Economic Indicators						
Date	Time	Indicators	Month	Actual	Market Forecast	Previous
18 Mar	0830	SG NODX y/y	Feb	-30.6	-16.0	0.4%
	0830	SG NODX m/m sa	Feb	-2.4	4.7	-1.8%
	1630	HK Unemployment Rate sa	Feb	3.4	3.4	3.4%
19 Mar	1000	CN Actual FDI y/y	Feb		-4.8	-7.3%
	-	HK Composite Interest Rate	Feb		-	0.28%
	-	PH Balance of Payments	Feb		-	2043mn
20 Mar	1600	TW Export Orders y/y	Feb		-	18.0%
	1700	MY CPI y/y	Feb		1.5	1.3%
21 Mar	0945	CN HSBC Flash Manufacturing PMI	Mar		-	50.4
	1630	HK CPI - Composite Index y/y	Feb		-	3.0%
	1630	HK Bal of Payments - Current A/C USD	4Q			23.84bn
	1630	HK Bal of Payments - Overall USD	4Q		-	37.86bn
22 Mar	0830	TW Unemployment Rate sa	Feb		-	4.20%
	1530	TH Foreign Reserves	Mar 15		-	-
	1700	MY Foreign Reserves USD	Mar 15		-	140.3bn

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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