

Asian Markets

Wednesday, 20 March 2013

Line-Up For The Day Ahead

- Financial markets are likely to remain fixated on the developments in Cyprus as its parliament early this morning rejected a tax levy on depositors as part of the condition of bailout of its banking sector. The troika (EU/ECB/IMF) will now be back to the drawing board and more uncertainty is likely to prevail given that "burden sharing" means Cyprus would still have to come up with means to pay for the banking sector rescue as the German government faces its own election in Sep. This suggests that risk off trade would still dominate as EUR fell to its lowest in 4 months late session while US treasuries remained in demand.
- In Asia today, Japan's markets will be closed for a public holiday. On the data front, Taiwan's exports orders (4pm) are seen declining 3%/y in Feb from +18% in Jan, and Malaysia's CPI for Feb (5pm) is expected to rise 1.5%/y from 1.3% in Jan. Data are likely to be distorted due to the Chinese New Year seasonal factors.
- Focus will shift later to the US Fed FOMC meeting with its decision and economic projections, followed by Fed Chair Bernanke's news conference (early Thur morning in Asia). Note that the timing has changed for the two events, taking place at 2:00pm and 2:30pm Eastern Time Wed respectively (i.e. early Thur morning in Asia), compared to 12pm and 2:30pm ET previously, thus compressing the period of uncertainty in between these two events.
- Other events of note: US Treasury Sec Lew will wrap up his 2-day visit to China today, and US Pres Obama's 3-day visit to Israel/Palestine/Jordan starts today (Wed to Fri). BoE meeting minutes for Mar later this afternoon will be closely watched given that in Feb King and two other MPC members were outvoted in a push for more bond purchases.

Forex

- Asian currencies mostly recovered in Tue session as sentiment settled ahead of the Cypriot parliamentary vote on the bailout package and tax levy on deposits. However, with a "no" vote early this morning of the deposit tax levy, market sentiment is likely be weighed down as a renewed round of uncertainty envelops the market. This should see safe haven assets such as USD, CHF, JPY, gold, US treasuries, among oth-

Foreign Exchange Rates (as of 19 Mar 2013)					
FX	Asian Close	Asian High	Asian Low	NY High	NY Low
SGD	1.2499	1.2503	1.2483	1.2520	1.2495
MYR	-	-	-	-	-
IDR	-	-	-	-	-
THB	29.35	29.50	29.33	-	-
PHP	40.69	40.71	40.62	-	-
TWD	29.801	29.820	29.680	-	-
KRW	-	-	-	-	-
HKD	7.7602	7.7616	7.7597	-	-
CNY	-	-	-	-	-

UOB's Estimation of SGD NEER (as of 20 Mar 2013) Assuming 2.0% on each side of the pivot point	
Lower-End	1.2737
Upper-End	1.2238
Mid-Point	1.2483

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 19 Mar 2013)	Closing	% chg	ytd % chg
FTSE Straits Times Index	3269.13	+0.39	+3.22
FTSE Bursa Malaysia KLCI Index	1625.46	+0.25	-3.76
Jakarta SE Composite Index	4822.63	+0.41	+11.72
Thailand SET Index	1568.25	-1.47	+12.67
Philippines SE PSEi Index	6426.25	-1.68	+10.55
Taiwan SE Weighted Index	7838.47	+0.35	+1.80
Korea SE KOSPI Index	1978.56	+0.53	-0.93
Hong Kong Hang Seng Index	22041.86	-0.19	-2.71
Shanghai SE Composite Index	2257.43	+0.78	-0.52
India Sensex 30 Index	19008.10	-1.48	-2.15

ers to remain favourable for now. In Asian session on Tue, THB stood out as the currency strengthened to the highest level since July 1997, prompting BoT governor as saying the appreciation has been too rapid but the central bank did not plan to hold a special meeting to discuss the currency. THB rose 0.7% to 29.35/USD late afternoon and hit intraday high of 29.33/USD. Elsewhere, KRW gained 0.3% to 1,111.26/USD, and TWD edged up marginally at 29.80/USD from 29.82 late Mon. MYR firmed to 3.1272/USD late Tue from 3.1315 on Mon.

SGD

- **SGD weakened 0.1% overnight to 1.2510/USD vs. 1.2494 late Mon**, near day's low of 1.2520 and is down for the second consecutive day, in response to developments in Eurozone on the rescue of Cyprus banking sector. For today, the rejection of the bailout by Cypriot parliament is likely to see SGD remaining somewhat under pressure along with other regional currencies. This morning, the SGD NEER index weakened to 0.27% below the midpoint from around -0.15% yesterday morning. The S\$ index is seen hovering within the 0.0 to -0.5% range around the midpoint, which implies USD/SGD range of 1.2477-1.2540, although further risk off fears could see the USD/SGD pair climbing towards 1.2600.

SGS

- **Flip flop continues overnight as we revisit the kneejerk lows of Monday morning. No new pictures in the papers of runs on banks**, but these days, bank runs are electronic. SGS adjusted to overnight moves by pushing the long bonds repricing, not much actual volumes traded. 10y benchmark is showing signs of support on preference for steepeners, marginally tighter standard bid offer spread also boosting its appeal when trading off each tick move in UST. Opening levels 2y 100.13/21 0.18/0.14 5y 108.13/33 0.34/0.30 10y 114.00/20 1.53/1.51 15y 115.50/80 2.20/2.18 20y 106.30/70 2.43/2.40 30y 99.45/05 2.78/2.75.

RMB

- **RMB was flat at 6.2157/USD on Tue, vs. 6.2158 close on Mon, as the central parity fell 0.03% to 6.2758/USD** early in the morning. The 2-day visit of US Treasury Sec Lew that started on Tue with a meeting with China Pres Xi Jinping did not provide much kick to the RMB, suggesting that external political pressure on the RMB has reduced significantly as the currency hovers near its equilibrium level and China's efforts to promote internationalization of the RMB continue. Lew will wrap up his first foreign visit today and it is expected to see currency being brought up in official

remarks. In offshore trading on Tue, 12-month NDF contracts were pricing in a 1.5% fall for the RMB over the next one year while offshore CNH was at 6.2085/USD, firmer compared to 6.2105 late Mon.

Equities

- **Asian equity markets were mostly higher as investor bargained hunt** after the steep selloffs on Mon in reaction to the Eurozone rescue of Cypriot banks. Nikkei index jumped 2.03%, or 247.60 points, to end at 12,468.23, driven by bargain hunting investors following its worst percentage loss in 10 months on Monday. Kospi gained 0.53%, or 10.38 points, to 1,978.56 and Shanghai Composite climbed 0.78%, or 17.41 points, to 2,257.43. Hang Seng Index suffered a late sell-off to end 0.19% lower, or 41.50 points to 22,041.86. Elsewhere, Taiex rose 0.35%, or 27.13 points, to 7,838.47, and Phil Composite tumbled 1.68%, or 109.93 points to 6,426.25. Straits Times Index rose 0.4% or 12.66 points to end at 3,269.13.

Economic News

- **Chinese investment overseas in January and February soared 147%y/y to US\$18.39bn**, more than foreign direct investment (FDI) into the country itself. Incoming non-financial FDI was at US\$17.48bn in the same period, down 1.35%y/y. In 2012, China's outward direct investment surged 20% over 2011, as the country looked for investment opportunities overseas.
- **China's economy may grow 8.3% this year, pace may slow to 7% in 5 years**, according to PBoC academic adviser Song Guoqing; who also suggested that China's inflation may slow to 2% in Mar after the 3.2% bounce in Feb.
- **South Korea is considering various measures, including a supplementary budget**, to boost growth, Choi Sang Mok, a director general at Finance Ministry said on Tue. Yonhap News earlier reported govt will announce KRW10tn extra budget plan on 26 Mar.
- **India's central bank RBI cut its main interest rate by 25bps on Tue as widely expected**, its second such reduction this year in an effort to jumpstart a slowing economy, but warned that still stubbornly entrenched inflation limited the "headroom" for further rate cuts. The benchmark repo rate was cut by a quarter percentage point to 7.50%, but the cash reserve ratio was left unchanged.
- **A draft bill to borrow THB2tn for investment in infrastructure has been approved** by Cabinet and will be forwarded to parliament, Thai Finance Minister Kit-tiratt Na-Ranong said on Tue.

Economic Indicators						
Date	Time	Indicators	Month	Actual	Market Forecast	Previous
19 Mar	1000	CN Actual FDI y/y	Feb	6.3	-4.8	-7.3%
	1631	HK Composite Interest Rate	Feb	0.25	-	0.28%
	-	PH Balance of Payments	Feb	-960	-	2043mn
20 Mar	1600	TW Export Orders y/y	Feb		-3.0	18.0%
	1700	MY CPI y/y	Feb		1.5	1.3%
21 Mar	0945	CN HSBC Flash Manufacturing PMI	Mar		50.8	50.4
	1630	HK CPI - Composite Index y/y	Feb		4.0	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		4.2	4.2%
	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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