

# Asian Markets

Friday, 22 March 2013

## Key Event/Data Ahead

- Little in the way of key data for Asia today, with Taiwan's jobless rate for Feb due early in the morning followed by the weekly Thai foreign reserves report later in the afternoon. Market focus is thus likely to remain on Cyprus, which is teetering on default and still seeking ways to recapitalize its banking sector after its parliament rejected a bailout package on early Wed morning. While Cyprus is considered small and "non-systemic", accounting for only 0.2% of Eurozone's GDP, the same thinking prevailed before Lehman Bros' collapse. Contagion risk to other peripheral Eurozone members and impact on confidence remains clear, as Cyprus' bank holiday is extended to end of Monday next week. This is reflected in generally "risk off" bias overnight with EURUSD hovering near the 1.29 level after a promising push towards 1.30 on Wed, while US 10Y treasury yields are dipping towards 1.91% and equity markets closed overnight session largely in the red.

## Forex

- Asian currencies are largely mixed on Thur, with a positive set of China's PMI data tempered by the ongoing focus on Cyprus** as well as more dovish comments from BoJ, whose new governor Kuroda stressed yesterday that the central bank is committed to do "whatever it takes" to defeat deflation. KRW firmed marginally at 1,115.70/USD vs 1,116.10 Wed, while TWD weakened, as risk aversion surrounding Cyprus developments continues to weigh on the market, closing at 29.853/USD, vs. 29.845 close Wed. MYR was firmer at 3.1192/USD late in Asia on Thur, from 3.1210 late Wed, though PHP eased to 40.745/USD after settling at 40.73 late Wed. THB fell to 29.21/USD late in Asian session from 29.17 on Wed, as investors took profit on the baht after a strong run over the past few days amidst comments from the central bank.

## SGD

- SGD firmed marginally to 1.2498/USD late Thur, from 1.2511 on Wed and after weakening the USD since the start of the week** as Cyprus gripped investors' concerns over the developments in Eurozone sovereign debt crisis. Trading range for the pair though is narrow, around the 1.2517-1.2485. This morning, S\$ index improved to 0.18% below the midpoint, from

Foreign Exchange Rates (as of 21 Mar 2013)					
FX	Asian Close	Asian High	Asian Low	NY High	NY Low
SGD	1.2513	1.2517	1.2497	1.2517	1.2485
MYR	-	-	-	-	-
IDR	-	-	-	-	-
THB	29.21	29.25	29.12	-	-
PHP	40.74	40.75	40.72	-	-
TWD	29.853	29.853	29.770	-	-
KRW	-	-	-	-	-
HKD	7.7622	7.7625	7.7615	-	-
CNY	-	-	-	-	-

UOB's Estimation of SGD NEER (as of 22 Mar 2013) Assuming 2.0% on each side of the pivot point	
Lower-End .....	1.2721
Upper-End .....	1.2222
Mid-Point .....	1.2466

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 21 Mar 2013)	Closing	% chg	ytd % chg
FTSE Straits Times Index	3267.65	+0.59	+3.18
FTSE Bursa Malaysia KLCI Index	1630.75	-0.05	-3.45
Jakarta SE Composite Index	4802.67	-0.60	+11.26
Thailand SET Index	1529.52	-0.92	+9.88
Philippines SE PSEi Index	6472.98	+0.83	+11.36
Taiwan SE Weighted Index	7811.84	+0.18	+1.46
Korea SE KOSPI Index	1950.82	-0.44	-2.31
Hong Kong Hang Seng Index	22225.88	-0.14	-1.90
Shanghai SE Composite Index	2324.24	+0.30	+2.43
India Sensex 30 Index	18792.87	-0.48	-3.26

around -0.25% yesterday. The trade-weighted index is likely to remain confined within the 0.0% to -0.5% range, or 1.2530-1.2465 for the pair for now.

### **SGS**

- **Can't help feeling sorry for the Cypriots, with their overtures to the Russians being dismissed by big brother EU.** No discernable direction to SGS, with activity picking up in the afternoon as Cyprus headlines hit the tape. The line has been drawn by the ECB for Monday 25th, markets will reserve judgment as to whether this is a deadline or a Greece deadline. Opening levels 2y 100.11/19 0.19/0.15 5y 108.10/30 0.34/0.30 10y 113.85/05 1.54/1.52 15y 115.35/65 2.21/2.19 20y 106.30/70 2.43/2.40 30y 99.30/90 2.79/2.76.

### **RMB**

- **RMB ended weaker at 6.2143/USD vs. Wed close of 6.2118, taking back some of the gains on Wed when US Treasury Sec Jacob Lew ended his 2-day official visit to China in his first overseas trip.** Eurozone worries, weak JPY, and considerations for RMB internationalization will likely see RMB kept on a short leash this year. Earlier in the day, the fixing was set lower at 6.2731/USD on Thur morning from Wednesday's 6.2716. Offshore NDF market is still pricing in a 1.5% decline for the RMB over the next 12 months and offshore CNH was trading at 6.2060/USD late Thur, a tad firmer compared to 6.2083 late Wed.

### **Equities**

- **Asian equity markets were mixed on Thur, as concerns over Cyprus' banking sector overshadowed the strong March PMI data from China.** Nikkei index climbed 1.34%, adding 167.46 points to 12,635.69, supported by expectations of aggressive easing steps from new Bank of Japan governor Kuroda. Shanghai Composite index gained 0.30%, or 6.87 points, to 2,324.24, but Kospi closed 0.44% lower, or 8.59 points to 1,950.82, while Hang Seng edged down 0.14%, or 30.56 points, to end at 22,225.88. Malaysian shares end flat after a choppy session as investors fret about Malaysia's upcoming general election. STI rose 0.6% or 19.25 points to end at 3,267.65 on Thur.

### **Economic News**

- **Bank of Japan's new governor Kuroda on Thursday renewed his pledge to expand monetary easing,** saying that it is "indispensable" to increase the amount of assets the central bank buys from the market.
- **HSBC flash China manufacturing PMI jumped to 51.7 in Mar** on the back of stronger new orders and

production, up from a final reading of 50.4 in Feb, suggesting continued recovery in China's growth momentum which is likely to exceed government's target of 7.5% this year.

- **Taiwan and China have agreed to consider exchanging liaison offices in yet another sign of warming ties** between the former rivals, officials said Thur. The offices could be used to improve relations and boost ties in areas such as trade, culture, education and emergency response, although no details have yet been specified, Dow Jones News reported Thur.
- **Taiwan's financial regulator is studying the feasibility of easing rules for local companies** to issue Chinese RMB-denominated bonds domestically, in an effort to lower costs of issuance and accelerate the growth of the island's RMB bond market. RMB-denominated bonds debuted in Taiwan last month when Chinatrust Financial Holdings Co priced its three-year debt.
- **The North Korean army on Thur threatened a possible strike against US military bases in Japan and Guam,** in response to the use of nuclear-capable US B-52 bombers in joint military drills with South Korea.
- **Hong Kong's composite consumer price index rose 4.4%y/y in Feb,** ahead of both consensus forecast of 4% and the 3% rise in Jan, partly because of the timing of Lunar New Year which boosted prices across the board. The CPI is expected to rise by around 4.5% this year vs. 4.1% increase in 2012, the government said.
- **Indonesia Finance Minister Agus Martowardojo said on Thur that 2013 budget deficit** could exceed 2% if fuel consumption is not contained below allocation. The Indonesian government previously estimated the budget deficit would be 1.65% of GDP this year.
- **Philippines aims to limit its annual fiscal deficit to 2% of GDP through 2016,** but a wider tax base and higher growth will allow the government to continue spending to boost economic growth and reduce poverty, the secretary of finance Cesar V. Purisima said Thur. The fiscal deficit was 2.3% of GDP in 2012. The government also aims to cut foreign debt to 20% of GDP by 2016 from the current level of 25.6%.
- **Sri Lanka announced on Thursday it would repossess part of a strategic oil storage depot** from India's state oil firm after India supported international calls to probe war crimes on the island.

Economic Indicators						
Date	Time	Indicators	Month	Actual	Market Forecast	Previous
21 Mar	0945	CN HSBC Flash Manufacturing PMI	Mar	51.7	50.8	50.4
	1630	HK CPI - Composite Index y/y	Feb	4.4	4.0	3.0%
	1630	HK Bal of Payments - Current a/c USD	4Q	9.62	-	23.84bn
	1630	HK Bal of Payments - Overall USD	4Q	94.34	-	37.86bn
22 Mar	0830	TW Unemployment Rate sa	Feb		4.2	4.2%
	1530	TH Foreign Reserves USD	Mar 15		-	178.0bn
	1700	MY Foreign Reserves USD	Mar 15		-	140.3bn

**Jimmy Koh**  
(65) 6539 3545  
[Jimmy.KohCT@UOBgroup.com](mailto:Jimmy.KohCT@UOBgroup.com)

**Suan Teck Kin, CFA**  
(65) 6539 3922  
[Suan.TeckKin@UOBgroup.com](mailto:Suan.TeckKin@UOBgroup.com)

**Ho Woei Chen**  
(65) 6539 3948  
[Ho.WoeiChen@UOBgroup.com](mailto:Ho.WoeiChen@UOBgroup.com)

**Francis Tan**  
(65) 6539 3923  
[Francis.TanTT@UOBgroup.com](mailto:Francis.TanTT@UOBgroup.com)

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