

Asian Markets

Wednesday, 27 March 2013

Line-Up For The Ahead

- A relatively light day for Asian data today, with money supply numbers coming out from the Philippines and leading index from Taiwan. Singapore will see the latest prices from the COE bidding at 4pm.

Forex

- At closing yesterday, the SGD closed yet higher against the USD at 1.2407/USD while the THB closed weaker at 29.30/USD. TWD remained flattish at 29.891/USD.

SGD

- The USD/SGD traded at a lower range of 1.2398 – 1.2442 yesterday.** On a trade-weighted basis, the SGD NEER is trading at 0.35% above the midpoint this morning. We expect it to trade tightly between the midpoint and 0.5% above midpoint today, implying the USD/SGD range of 1.2451 – 1.2389 based on current FX levels.

SGS

- We're back to pre Cyprus deal yield lows. Correlation breaks down as equities continue trucking higher on Cyprus deal (good news is good news), fears of contagion keeping FED reversal at bay (bad news is good news). Or rather than trying to back fit a reason, there is just enough money sloshing around and not enough places to park it. SGS auctioned off the new 5y benchmark at 0.57%. Towards the high end of our expectations. This made the nearby bonds look rich by comparison especially Sep2018 as mentioned before (similar yield, similar duration, non benchmark). The afternoon session was all about correcting the richness as the belly got sold off in good fashion. Some semblance of a curve is now priced, would not expect much continuation today as cheaper prices tempt shorts to cover. Opening levels: 2y 100.03/11 0.23/0.19; 5y 99.66/86 0.57/0.53; 10y 113.55/75 1.57/1.55; 15y 115.10/40 2.23/2.21; 20y 105.95/35 2.45/2.43; 30y 99.00/60 2.80/2.7.

RMB

- The RMB continued strengthening yesterday as it hit beyond 6.21/USD for the first time in 19 years and closed at 6.2110/USD. This morning, the PBoC fixed the RMB mid-point higher at 6.2727/USD, compared to previous mid-point of 6.2715.

Foreign Exchange Rates (as of 26 Mar 2013)					
FX	Asian Close	Asian High	Asian Low	NY High	NY Low
SGD	1.2407	1.2443	1.2397	1.2417	1.2402
MYR	3.0950	3.1010	3.0890	-	-
IDR	9730	9747	9720	-	-
THB	29.35	29.38	29.30	-	-
PHP	41.07	41.08	40.84	-	-
TWD	29.891	29.900	29.815	-	-
KRW	-	-	-	-	-
HKD	7.7604	7.7619	7.7604	-	-
CNY	6.2108	6.2125	6.2100	-	-

UOB's Estimation of SGD NEER (as of 27 Mar 2013) Assuming 2.0% on each side of the pivot point	
Lower-End	1.2702
Upper-End	1.2203
Mid-Point	1.2448

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%	28 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 26 Mar 2013)	Closing	% chg	ytd % chg
FTSE Straits Times Index	3288.53	+0.64	+3.83
FTSE Bursa Malaysia KLCI Index	1652.83	+0.54	-2.14
Jakarta SE Composite Index	4842.52	+0.89	+12.18
Thailand SET Index	1544.03	+1.32	+10.93
Philippines SE PSEi Index	6665.12	+1.02	+14.66
Taiwan SE Weighted Index	7856.36	-	+2.04
Korea SE KOSPI Index	1983.70	+0.30	-0.67
Hong Kong Hang Seng Index	22311.08	+0.27	-1.53
Shanghai SE Composite Index	2297.67	-1.25	+1.26
India Sensex 30 Index	18704.53	+0.12	-3.72

Equities

- Asian markets closed mixed yesterday with North Asian markets generally seeing declines while strength was seen in South East Asian markets.
- The Thai stock market tried to regain some of its losses from last week and had been closing positively for the past 2 days. It closed higher yesterday by 1.3% with gains coming mainly from telcos (+4.52%), technology (+2.24%), and healthcare (+1.55%), and the overall index had just cut above the 50dma.
- The same situation was seen in the STI where the index yesterday cut above its 50dma by gaining 0.72%, with gains coming from financials (+1.12%), and consumer services (+0.93%).
- The strong growth in US durable goods orders by 5.7%, the most since last Sep, and strong sales of homes may provide the good news to fuel Asian markets today, adding to the small gains seen in the MSCI Asia ex Japan index for the past 2 consecutive days. However, the current bearish remains intact and to break out, we need a lot more good news.

Economic News

- **Singapore's February industrial production contracted sharply by 16.6% y/y (-0.7% m/m SA), partially due to the lower manufacturing activities during the Chinese New Year.** This contraction surprised consensus expectations of an 8% decline. Excluding the more volatile biomedical manufacturing cluster, industrial production still declined 16.2%, signaling that it was not just the isolated biomedical manufacturing cluster weakness but a broad sector-wide weakness. Although the contraction in manufacturing activities in February seemed alarming, it was partially due to the difference in the CNY timing between 2012 and 2013. We will advise not to read too much into this one-off spike. However, we are likely to see downside risks to Singapore's 1Q 2013 GDP numbers with the cumulative 8.6% y/y decline seen in IP over the Jan-Feb period. Nevertheless, we do not think that this will be enough to urge the MAS to adopt a more dovish mentality when announcing their policy stance in their next meeting in April.
- Like many Asian countries this month, Hong Kong's exports (-16.9%) and imports (-18.3%) had double-digit declines in February due to the Chinese New Year effect. Trade deficit came in at a larger HK\$34b.

Economic Indicators						
Date	Time	Indicators	Month	Actual	Market Forecast	Previous
26 Mar	0700	SK GDP q/q	4Q F	0.3	-	0.4%
	0700	SK GDP y/y	4Q F	1.5	-	1.5%
	0900	PH Total Imports y/y	Jan	-0.8	-	14.4%
	0900	PH Trade Balance USD	Jan	714	-	-1330mn
	1300	SG Industrial Production m/m sa	Feb	-0.7	0.3	-9.1%
	1300	SG Industrial Production y/y	Feb	-16.6	-7.9	-0.1%
	1630	HK Exports y/y	Feb	-16.9	4.4	17.6%
	1630	HK Imports y/y	Feb	-18.3	-2.5	23.9%
	1630	HK Trade Balance	Feb	-34.0	36.2	-27.5bn
27 Mar	0500	SK Consumer Confidence	Mar		104	102
	1600	TW Leading Index m/m	Feb		-	1.3%
28 Mar	0700	SK Current Account USD	Feb		-	2253.6mn
	0700	SK Goods Balance USD	Feb		-	2597mn
	1000	SG Bank Loans & Advances y/y	Feb		-	18.3%
	1200	TH Customs Exports y/y	Feb		0.00	16.09%
	1200	TH Customs Imports y/y	Feb		11.30	40.87%
	1200	TH Customs Trade Balance USD	Feb		-1950	5487mn
	1630	HK Govt Mthly Budget Surp/Def HKD	Feb		-	41.9bn
	1700	TWD Discount Rate	Mar		-	1.88%
	-	CN Leading Index	Feb		-	100.50
29 Mar	1530	TH Total Exports y/y	Feb		-	15.6%
	1530	TH Foreign Reserves	Mar 22		-	178.3bn
	1530	TH Total Imports y/y	Feb		-	38.4%
	1530	TH Total Trade Balance USD	Feb		-	-2821mn
	1530	TH Current Account Balance USD	Feb		-	-2237mn
	1530	TH Overall Balance USD	Feb		-	1030mn
	1530	TH Business Sentiment Index	Feb		-	51.1

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