MARKET OUTLOOK FOR THE WEEK (25th FEBRUARY – 1st MARCH 2013)

Key Events Last Week

- EUR Current Account actual 13.9B below forecast 15.3B
- EUR German ZEW Economic Sentiment actual 48.2 above forecast 35.3
- EUR ZEW Economic Sentiment 42.4 above forecast 35.3
- CAD Foreign Securities Purchases actual -.192B below forecast 7.21B
- NZP PPI Input q/q actual -0.3% below forecast 0.3$
- JPY Trade Balance -0.68T below forecast -0.59T
- AUD Wage Price Index q/q forecast same as actual 0.8%
- EUR German PPI m/m actual 0.8% above forecast 0.4%
- GBP Unemployment Rate actual 7.8% slightly above forecast 7.7%
- USD PPI m/m 0.2% slightly below forecast 0.3%
- CHF Trade Balance actual 21.3B above forecast 1.74B
- EUR French Flash Manufacturing PMI actual 43.6 below forecast 43.9
- GBP Public Sector Net Borrowing actual -9.9B as compared to forecast -9.0B
- USD Philly Fed Manufacturing Index actual -12.5 below forecast 1.1
- EUR German Ifo Business Climate actual 107.4 above forecast 104.9
- CAD Core Retail Sales m/m actual -0.9% below forecast 0.1%

Key Events to Focus on This Week

- CNY HSBC Flash Manufacturing PMI (Mon 9:45am)
- GBP BBA Mortgage Approvals (Mon 5:30pm)
- NZD Inflation Expectations q/q (Tues 10:00am)
- CHF Employment Level (Tues 4:15pm)
- GBP CBI Realized Sales (Tues 7:00pm)
- USD S&P/CS Composite-20 HPI y/y (Tues 10:00pm)
- NZD Trade Balance (Wed 5:45am)
- JPY Retail Sales y/y (Wed 7:50am)
- EUR GfK German Consumer Climate (Wed 3:00pm)
- CHF KOF Economic Barometer (Wed 4:00pm)
- EUR M3 Money Supply y/y (Wed 5:00pm)
- GBP Second Estimate GDP q/q (Wed 5:30pm)
- USD Core Durable Goods Order m/m (Wed 9:30pm)
- NZD ANZ Business Confidence (Thu 8:00am)
- AUD Private Capital Expenditure q/q (Thu 8:30am)
- USD Prelim GDP q/q (Thu 9:30pm)
- USD Unemployment Claims (Thu 9:30pm)
- JPY Tokyo Core CPI y/y (Fri 7:30am)
- GBP Manufacturing PMI (Fri 4:45pm)
- USD ISM Manufacturing PMI (Fri 11:00pm)

Time indicated is in SG Timing

Global Market Summary

U.K. Stripped of AAA Rating by Moody's Amid Outlook Weakness

Britain lost its top credit rating by Moody's Investors Service, which cited weakness in the nation's growth outlook and challenges to the government's fiscal consolidation program. Moody's said in a statement on Friday that the rating on the U.K. was lowered one level to Aa1 from Aaa and the outlook on the nation's debt changed from negative to stable. Moody also said in the statement that with the U.K.'s high and rising debt burden, deterioration in the government's balance sheet is unlikely to be reversed before 2016.

While the U.K. retains "considerable structural economic strengths," expected slow growth of the global economy and the reduced speed of debt reduction in the country led to Moody's decision.It was also stated in the European Commission winter forecast that Britain's debt as a percentage of gross domestic product will climb to 98 percent next year from 90 percent last year and 95.4 percent in 2013.

Factories in U.S. Probably Expanded on Capital Spending

Manufacturing in the U.S. probably expanded for a third month in February as the global economy stabilized and businesses invested more in new equipment. The healing in some overseas markets and the need for U.S. businesses to replenish their capital stock are helping underpin manufacturing, which stumbled in the second half of 2012. A pickup in factory production along with a rebounding housing market would help soften the blow to household incomes from the payroll tax increase, fuelling spending and the economy.

Since the start of the fourth quarter, manufacturing shares have outpaced the broader market. The Standard & Poor's Supercomposite Machinery Index has advanced 13.2 percent since Sept. 28, compared with a 5.2 percent gain in the S&P 500.

China to Expand Short-Selling Program as Part of Reform

Shanghai Securities News reported that China will expand its short-selling program on Feb. 28 by allowing selected brokerages to borrow shares from institutional investors. The expansion of short-selling – in which investors sell borrowed shares in the expectation of profiting when they fall – is expected to increase the efficiency of China's equity market, help manage risks and boost brokers' revenue. According to the report, the expanded program "will not necessarily add to the selling pressure and suppress the equity market" because more brokers are participating in the margin-trading program, which allows investors to borrow money from brokers to buy shares.

European Stocks Snap Three-Week Decline

European shares rose for the first week in four as better-than-expected company earnings and measures of German confidence outweighed concern that the U.S. Federal Reserve will scale back its asset-purchase program. National benchmark indexes climbed in 10 of the 18 western European markets. The U.K.'s FTSE 100 increased 0.1 percent and France's CAC 40 added 1.3 percent. Germany's DAX gained 0.9 percent.

In Germany, investor confidence increased to the highest level in almost three years in February. Separately, the Ifo institute's business climate index for Europe's biggest economy climbed to 107.4 in February from a revised 104.3 in January. Still, the European Commissions said that the euro-area economy will shrink for a second year in 2013, driving unemployment higher as governments, consumers and companies curb spending.

BOE Plans to Sign Yuan Currency Swap Deal With China

The Bank of England and the People's Bank of China plan to sign a deal soon on a three-year currency- swap arrangement as London pushes to become an offshore center for yuan trading. The BOE said that the arrangement would be used to finance trade and direct investment between the two countries and to support domestic financial stability should market conditions warrant.

A role for London as an offshore center for yuan trading would help it to deepen links with the world's second-largest economy. China has also allowed businesses to settle foreign trade in yuan and signed swaps to promote the use of the currency in international trade and investment

Nikkei 225 Rises Second Week as Defensive Shares Advance

Japanese shares rose, pushing the Nikkei 225 Stock Average to a second week of advances, as domestically-oriented shares including food and services climbed. Exporters and banks slid on concern they have risen too far, too fast.

A portfolio investment group manager from Tokio Marine & Nichido Fire Insurane Co. also said that some domestic stocks are rebounding because they had fallen behind the broader market rally, and that investors are taking profit on other stocks like exporters and banks after their big gains.

Vietnam Inflation Rate Eases as Economy Struggles to Revive

Vietnam's inflation eased in February as domestic consumption struggled to rebound after a credit crunch that slowed economic growth to a 13-year low. The General Statistics Office in Hanoi also said that consumer prices climbed 7.02 percent from a year earlier after rising 7.07 percent in January.

Moderating economic expansion has kept Vietnam's inflation rate below the double-digit range it held at throughout 2011 and into early 2012. Concern over the level of bad debts at the nation's banks has eased credit growth, damping consumer demand and squeezing companies' ability to raise capital and spur expansion.

Trading Ideas for This Week

TA Trade Idea 1

Long on Tigerair (J7X) (Long)

Tiger Airways is a low-cost airline in Asia and Australia with a focus on route profitability and commitment to a disciplined low-cost business model. The Group operates from aircraft bases in three locations – Singapore's Changi Airport Budget Terminal, Tullamarine Airport in Melbourne and Adelaide Airport in South Australia, and its route portfolio covers a total of 33 airports across 11 countries and territories in Asia and Australia.

TigerAir (J7X) has seen a retracement from a 2 month rally beginning November last year, hitting the historic resistence/support level of $0.785 before retracing nearly 10%. However, we believe that on the back of strong ticket sales and bookings increase YOY from the recent February 8th operating statistics, the price of Tigerair share would see a moderately strong uptrend.
Moreover, there has been recent speculation that Virgin Australia may be considering taking over TigerAir's operations in Australia. The strength of these two news could very well push the share prices up back towards the 78 cents level.

Price channel analysis – TigerAir (J7X) is currently experiencing a downtrend within an uptrend channel. Referring to the diagram above, currently we advise investors to look towards the 72-73 cents mark as a strong buy in point.
Oscillator indicators – RSI line has been hovering within the 50%-30% range, touching the 30% line twice this month. This indicates that E5H may be oversold and would look set for a correction.
MACD – The 12-day EMA - 26-day EMA blue line looks set to make a cross over the 9-day EMA line. Based on historical MACD crossovers in Tigerair, there is a 75% chance that there will be a strong rally in prices in the following few days.

Market entry / Price target:
Volume trading and MACD – To be on the conservative side, we should wait for a buy signal from a MACD crossover coupled with a strong momentum as indicated by a spike in volume traded, to execute a buy order.
Fibonacci & Bollinger bands analysis – According to current prices, there is a strong support line at the 72.5 cents mark, this coincides with the lower limit of the Bollinger bands, from historical analysis of Tigerair stock price movements, prices seem to respect the upper and lower Bollinger bands very strongly, as such investors could also enter the market around this price of 72.5 cents.

Caution:
Moving averages – Current price action is causing the short period MA lines to converge towards longer period MA lines. This is a bearish indicator and we would advise investors to exercise caution and set entry price targets lower if your appetite for risk is low.

TA Trade Idea 1

CAD/GBP (Long)

Background update: Downgrade of UK credit rating last week has seen a plunge in the GBP, and this is likely to continue through to next week, as UK banks are likely to take a tremendous hit. Moodys says rating was cut due in part to continued weakness in medium term growth outlook and it expects sluggish growth to extend into the second half of the decade.

Candle stick analysis: From the 1-day chart above, we see the market closing with a red bullish hammer candle stick (A hammer is a candle that has a closing price that is lower than that of its opening price and has a tail/shadow/wig that is more than 2 times the length of its body.) In this case, it is a clear signal of an uptrend as it has a tail more than 3 times its body.

Support resistance analysis: Price tested the resistance in August last year as shown in the diagram above, but failed to break through. Last week however, we see price pushing through the 1-year high, signaling strong buying demand. Its retracement during market close last week provides a good opportunity to long the CAD/GBP pair. This is supported by the upward trend indicated by the MACD and ROC indicators.

FA Trade Idea 1

TAT HONG HOLDINGS

Current Price: $1.50
Target Price: $1.68

Company Profile: Tat Hong Holdings Limited sells, rents, repairs, reconditions, and services heavy machinery and cranes in Singapore, Malaysia, Indonesia, Thailand, Hong Kong, Vietnam, China, Papua New Guinea and Australia. Tat Hong also supplies spare parts, provides transportation and logistics services, training courses, and management consulting.

Reason 1: Strong domestic prospects ahead of Population White Paper

The population white paper outlining a future population of 6.9 million in 2030 was passed two weeks ago. Based on this projection, the government will now build and expand infrastructure ahead of demand as well as create a bigger supply buffer for housing. Thus demand for cranes and machinery for construction should see a steady growth for the middle to long term.

Reason 2: Strong Q3FY13 Results

Tat Hong reported strong Q3FY13 results with revenue increasing by 5% YoY to S$206m. 3Q13 gross margin increased slightly to 35.9% from 34.4% in Q3FY12 due to higher contribution from Crane Rental and Tower Rental businesses which yielded higher margins compared to other Spare Part Distribution businesses. As Tat Hong's FY13 closes in two months, analysts are predicting strong earnings forecasts.

Reason 3: Strong Outlook in foreign markets for the next financial year

Strong demand from the Oil and Gas sector in Australia for Tat Hong's services and projected increase in demand for crane rentals in China will continue to create momentum for Tat Hong's growth for AY14. Lastly, Profit Margins increased throughout the quarters for FY13 because of increasing contributions from businesses with higher margins. Since the crane rental service in China and Australia will continue to grow, Tat Hong should be able to reap profits more efficiently in FY14.

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