



Review for week ending 9 May 2014

### Equities

- **US equities ended on a mixed note following a volatile week** with the Dow Jones Industrial Average closing at a record high of 16,583 (+0.43% for the week) while the Nasdaq dropped 1.26% for the week, its worst week in a month.
- **European stocks were mostly higher for the week**, as comments by ECB President Mario Draghi on Thursday on likely policy action in June provided lift to the equities amid the Ukraine tensions. The Euro Stoxx 50 was up 0.97% for the week.
- **Most Asian equities ended the week lower.** The Nikkei 225 was down 1.78% for the week, after plunging 2.93% on Wednesday following the sell off on Wall Street and firmer yen. The Hang Seng Index also lost 1.78% for the week, mainly dragged by a downward revision of HSBC China PMI reading.

### Fixed Income

- **Long-dated US Treasury prices retreated on Friday, after an unexpectedly weak auction on Thursday.** The 30-year Treasury yield was 2.9bps higher on Friday and almost 10bps higher on the week. The 30-year Treasury yields had touched a low of 3.37% in the week ending 2 May, a level last seen in June 2013.

### Commodities

- **Gold futures settled 1.17% lower for the week, marking its second consecutive week of decline** as the dollar took support from euro weakness and upbeat comments on the economy from Federal Reserve Chairwoman Janet Yellen.
- **WTI futures settled 0.23% higher for the week**, as the weekly crude oil inventories report showed an unexpected decline in supply levels.

Foreign Exchange Rates	Close	1W Change (%)	YTD Change (%)
AUD	0.9362	0.92%	5.24%
CAD	1.0898	-0.67%	2.10%
CHF	0.8864	0.96%	-0.05%
EUR	1.3758	-0.80%	-0.80%
GBP	1.6851	-0.11%	1.92%
JPY	101.8600	-0.33%	-3.08%
NZD	0.8613	-0.50%	-0.50%
SGD	1.2488	-0.34%	-1.19%

Key Global Indices	Close	1W Change (%)	YTD Change (%)
Dow Jones Ind Avg	16,583.34	0.43%	0.04%
S&P 500	1,878.48	-0.14%	1.63%
NASDAQ Composite	4,071.87	-1.26%	-2.51%
Euro Stoxx 50	3,184.09	0.20%	2.42%
FTSE 100	6,814.57	-0.12%	0.97%
DAX	9,581.45	0.27%	0.31%
Hang Seng Index	21,862.99	-1.79%	-6.19%
Straits Times Index	3,252.13	-0.01%	2.67%
Nikkei 225	14,199.59	-1.78%	-12.84%
All Ordinaries	5,460.84	0.05%	2.03%

Commodities	Close	1W Change (%)	YTD Change (%)
WTI Crude Futures	99.99	0.23%	1.60%
Brent Crude Futures	107.89	-0.64%	-2.63%
Gold Futures	1,287.60	-1.17%	7.09%
Reuters CRB Index	304.57	-0.84%	8.71%

Bond Yields	Close	1W Change (bps)	YTD Change (bps)
2Y US Treasury	0.383	-3.9	0.3
10Y US Treasury	2.623	3.9	-40.5
10Y JGB	0.610	-0.3	-13.3
10Y Bund	1.455	0.6	-47.4
10Y Gilt	2.685	4.3	-33.7

Rates based on last trading day.  
Source: Bloomberg

## US

- US services sector grew at the fastest pace in eight months in April, with the Institute for Supply Management's non-manufacturing purchasing managers' index up from 53.1 in March to 55.2.
- In a testimony before the Congressional Joint Economic Committee, Federal Reserve Chairwoman Janet Yellen gave a largely positive economic outlook, although she also signaled that optimism has not changed the Fed's plan to keep short-term interest rates near zero for the foreseeable future. She also repudiated concerns about stagnation in the first quarter GDP but highlighted worries about whether the housing recovery is sustainable.
- US productivity dropped for the first quarter, with non-farm labor productivity falling at a 1.7% seasonally adjusted annual rate from January through March, from an upwardly revised 2.3% growth rate in Q4.
- US consumer credit recorded its largest increase in a year in March, with total consumer credit rising \$17.53bln to \$3.14 trillion. Revolving credit, which mostly measures use of credit cards, rose \$1.13bln after falling a revised \$2.73bln in February. Non-revolving credit jumped \$16.4bln.
- US trade deficit narrowed in March as imports and exports both bounced back. Exports rose at their fastest pace since June 2013, rising a seasonally adjusted 2.1% m/m to \$193.91bln, while imports rose 1.1% to \$234.29bln.

## Europe

- The European Union said that it expects inflation in the zone to drop even further below the ECB's target rate over the next two years. Economists at the European Commission lowered their February forecast of 1.0% and 1.3% for 2014 and 2015 respectively to average 0.8% in 2014 and 1.2% in 2015.
- The Organization for Economic Cooperation and Development said that the European Central Bank should immediately cut its benchmark interest rate, and may need to take additional steps and measures to end a period of too low inflation in the Euro Zone.
- Euro zone retail sales rose for a third consecutive month in March, rising 0.3% m/m, above market estimate of a 0.2% decline.
- Flash reading of composite PMI for the Euro zone came in at 54.0 in April (March: 53.1) – its highest level since May 2011.
- German factory orders dropped unexpectedly in March; falling from the revised 0.9% increase in February to 2.8% m/m. Foreign orders dropped 4.6% while domestic orders fell 0.6%.
- The European Central Bank ("ECB") left interest rates unchanged at the 8 May policy meeting. Refinancing and deposit rates were kept at 0.25% and 0.00% respectively. Yet, ECB President Draghi gave a strong signal that ECB policymakers may act soon to reverse the Euro zone's prolonged low inflation, increasing expectations of policy change in June.
- The Bank of England ("BOE") kept interest rate at record low of 0.5% at the 8 May policy meeting, in line with market expectations. However, recent evidence that the UK economic recovery is strengthening and worries about rising house prices in UK have intensified the debate over when rates might increase.

## Elsewhere

- HSBC China Manufacturing PMI for April was revised downwards to 48.1, from initial estimate of 48.3. This was the fourth consecutive month of contraction reading.

- China's consumer price index rose 1.8% y/y in April, below analyst expectations of a 2.1% gain, while the producer price index slid 2% y/y, marking the 26<sup>th</sup> consecutive month of decline. The relatively low inflation gives the Chinese government more room to position its monetary policy in the coming months to support the Chinese economy.
- Australia's nominal retail sales came in weaker than expected in March, increasing only 0.1% m/m (mkt est: +0.4% m/m). This weakness was broadly based across the sectors, although spending at cafes and takeaways rose 1.1% m/m.
- The RBA left the cash rate unchanged and continued to signal that a period of stability in interest rates was likely. There was a slight improvement to the Bank's outlook on unemployment, noting that it will be some time before unemployment declines consistently.
- Australia recorded its fourth consecutive monthly trade surplus in March, although the surplus narrowed due to a sharp decline in the value of resource exports.
- In the Organization for Economic Cooperation and Development's twice-yearly Economic outlook report, the global economic growth forecast was lowered from 3.6% for 2014 to 3.4%, as they now expect a large number of developing economies to perform more sluggish than expected since the last published projections in November. The OECD mentioned some potential obstacles, like the impact on developing economies of a normalization of US monetary policy, the instability of China's financial system, and the upcoming dangers that may arise by the rising tensions between Russia, the European Union and the US over the future of Ukraine.

## Week Ahead (12<sup>th</sup> May – 16<sup>th</sup> May)

Few key US economic data to focus on this week include the April advanced retail sales (13 May), April CPI (15 May) and May preliminary University of Michigan consumer confidence. For the other developed economies, the major economic data release this week will be the 1Q2014 GDP numbers for Japan, Euro zone and its major constituent economics to be released on 15 May (Thursday). On the same day, the euro-zone will also release its final reading for the April CPI while the ECB publishes its monthly report.

Economic Indicators						
Date	Time	Indicators	Month	Actual	Market Forecast	Previous
09 May	0900	KRW Base Rate	May	2.50	2.50	2.50%
	0900	PH Exports y/y	Mar	11.2	13.2	11.6%
	0900	PH Exports USD	Mar	5226.8	-	4654.2mn
	0930	CN PPI y/y	Apr	-2.0	-1.9	-2.3%
	0930	CN CPI y/y	Apr	1.8	2.1	2.4%
	1530	TH Foreign Reserves USD	May 2	168.9	-	168.8bn
	1630	UK Trade Balance GBP	Mar	-1284	-2000	-1713
	2030	CA Unemployment Rate	Apr	6.9	6.9	6.9%
	2200	UK NIESR GDP Estimate	Apr	1.0	-	0.8%
	2200	US Wholesale Inventories m/m	Mar	1.1	0.5	0.7%
12 May	0750	JP BoP Current Account Balance JPY	Mar		-	612.7bn
	0750	JP Trade Balance BoP Basis JPY	Mar		-	-533.4bn
	1201	MY Industrial Production y/y	Mar		-	6.7%
13 May	0200	US Monthly Budget Statement	Apr		105.0	-
	1330	CN Retail Sales y/y	Apr		12.2	12.2%
	1330	CN Industrial Production y/y	Apr		8.9	8.8%
	1930	US NFIB Small Business Optimism	Apr		94.5	93.4
	2200	US Business Inventories	Mar		0.4	0.4%
14 May	0700	SK Unemployment Rate sa	Apr		3.4	3.5%
	1630	UK ILO Unemployment Rate 3Mths	Mar		-	6.9%
	1900	US MBA Mortgage Applications	May		-	-
15 May	0750	JP GDP q/q sa	1Q P		1.0	0.2%
	0750	JP GDP Annualized q/q sa	1Q P		4.1	0.7%
	1300	SG Retail Sales y/y	Mar		-3.6	-9.5%
	2030	US Empire Manufacturing	May		7.00	1.29
	2030	US CPI m/m	Apr		0.3	0.2%
	2030	US CPI Ex Food and Energy m/m	Apr		0.1	0.2%
	2030	US Initial Jobless Claims	May 10		-	-
	2030	US Continuing Claims	May 3		-	-
	2100	US Net Long-term TIC Flows USD	Mar		-	85.7bn
	2100	US Total Net TIC Flows USD	Mar		-	167.7bn
	2100	US Industrial Production m/m	Apr		0.1	0.7%
	2115	US Capacity Utilization	Apr		79.1	79.2%
	2200	US Philadelphia Fed Business Outlook	May		13.5	16.6
	2200	US NAHB Housing Market Index	May		49	47

Ng Peiting, CFA  
UOB Private Bank

Melissa Sng  
UOB Private Bank

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