



Review for week ending 16 May 2014

### Equities

- **US equities closed in positive territory on Friday as investors overlooked the surprising drop in consumer sentiment and focused on the best building permits data in almost six years.** The Dow Jones Industrial Average added 0.3% to 16,491.31 while the S&P 500 climbed 0.4% to 1,877.86 on Friday.
- **Most European stocks fell, as travel and leisure companies slid and auto related shares slipped.** The Euro Stoxx 50 was down 0.36% for the week.
- **Asian equities mostly gained last week, as there was optimism that China will add to stimulus measures.** Hang Seng was up 3.89%, STI up 0.32% and Nikkei 225 down 0.73% for the week.

### Fixed Income

- **After large moves were experienced on Thursday, US Treasuries sold off across the curve on Friday with the 2-year yield rising 1bp to 0.36% and the 10-year yield increasing 3bps to 2.52%.**

### Commodities

- **Gold prices fell 0.2% on Friday as the slightly better market sentiment saw demand reduced.**
- **WTI futures gained 0.1% on Friday to USD 102.02 per barrel after modestly better tone in the markets.**

Foreign Exchange Rates	Close	1W Change (%)	YTD Change (%)
AUD	0.9360	-0.02%	5.33%
CAD	1.0861	-0.34%	2.04%
CHF	0.8927	0.71%	0.12%
EUR	1.3694	-0.47%	-0.47%
GBP	1.6811	-0.24%	1.48%
JPY	101.5000	-0.35%	-3.56%
NZD	0.8627	0.16%	0.16%
SGD	1.2514	0.21%	-0.92%

Key Global Indices	Close	1W Change (%)	YTD Change (%)
Dow Jones Ind Avg	16,491.31	-0.55%	-0.51%
S&P 500	1,877.86	-0.03%	1.60%
NASDAQ Composite	4,090.59	0.46%	-2.06%
Euro Stoxx 50	3,172.72	-0.36%	2.05%
FTSE 100	6,855.81	0.61%	1.58%
DAX	9,629.10	0.50%	0.81%
Hang Seng Index	22,712.91	3.89%	-2.55%
Straits Times Index	3,262.59	0.32%	3.00%
Nikkei 225	14,096.59	-0.73%	-13.47%
All Ordinaries	5,479.04	0.33%	2.37%

Commodities	Close	1W Change (%)	YTD Change (%)
WTI Crude Futures	102.02	2.03%	3.66%
Brent Crude Futures	109.75	1.72%	-0.95%
Gold Futures	1,293.40	0.45%	7.58%
Reuters CRB Index	305.92	0.44%	9.19%

Bond Yields	Close	1W Change (%)	YTD Change (%)
2Y US Treasury	0.359	-6.29%	-5.53%
10Y US Treasury	2.523	-3.82%	-16.68%
10Y JGB	0.587	N/A	N/A
10Y Bund	1.330	N/A	N/A
10Y Gilt	2.564	N/A	N/A

Rates based on last trading day.  
Source: Bloomberg

## US

- In the primary month for tax collections, the US posted a smaller than expected budget surplus for the month of April, with the monthly budget statement showing a surplus of \$106.9bln (mkt est: \$114bln) from \$112.9bln in March.
- Retail sales in the US slowed down in April, only climbing 0.1% m/m (mkt est: +0.4%) to a seasonally adjusted \$434.57bln. March data was revised higher to show growth of 1.5%, which was the biggest gain in four years.
- US business inventories came in line with market expectations for March, rising 0.4% m/m (mkt est: +0.4%) after an upwardly revised 0.5% increase in February. The report showed an increase in inventories at merchant wholesalers, increasing 1.1% after climbing 0.7% in February.
- US producer price index rose at the fastest pace in 1½ years in April, rising a seasonally adjusted 0.6% m/m (mkt est: +0.2%) after rising 0.5% for March. This marks the biggest monthly increase since September 2012, and reveals price increases for a broad range of goods and services.
- US consumer price index ("CPI") rose 0.3% m/m in April, following a 0.2% m/m rise in March. Comparing to a year ago period, CPI increased 2%, the largest gain since July and matching the Federal Reserve's inflation target. The main driver of the higher inflation was food and energy costs. Excluding the volatile food and energy prices, Core CPI rose 1.8% y/y in April.
- US home construction jumped in April, with housing starts jumping in April to 13.2% seasonally adjusted annual pace of 1.07 million units, the highest level since November 2013, offering hopes of stabilization in the housing market and rebound from the cold winter weather.
- Consumer confidence, as measured by the Thomson Reuters/University of Michigan, unexpectedly fell in May to 81.8 from a nine-month high of 84.1 in April, below analyst expectations of 84.5 reading. The lack of optimism was likely due to rising grocery bills and elevated fuel costs.
- US industrial output fell at its fastest rate in more than 18 months in April as factory production slumped to 0.6% in April, following an upwardly revised 0.9% gain in March, tempering hopes for a rebound in economic growth after a winter slowdown.

## Europe

- Germany's ZEW consumer confidence survey showed that investor confidence fell to their lowest level in more than a year, falling for the fifth month in a row in May, slumping from 43.2 in April to 33.1 (mkt est: 41.0). This was the steepest monthly decline since May 2012.
- Germany's rate of annual inflation improved in April, with prices falling 0.2% m/m but rising 1.3% y/y.
- Germany's GDP grew 0.8% q/q, an annualized rate of more than 3%, its best performance in three years.
- The British Retail Consortium and KPMG's monthly retail sales monitor revealed that total retail sales jumped 5.7% y/y last month, after having dropped 0.3% in the year to March. This was the strongest increase since April 2011.
- Euro zone industrial production fell in March, with output from factories, energy companies and other utilities falling 0.3% m/m and 0.1% y/y.
- Euro zone's Q1 gross domestic product grew 0.2% q/q (mkt est: +0.4%), which was a surprisingly weak pace.

- Annual consumer price growth came in at 0.7% for the month of April, in line with market's estimates but below the ECB's target of slightly under 2%.
- The Bank of England's May Inflation Report showed that forecasts for growth and inflation largely remained unchanged, indicating that an increase in their benchmark interest rate remains on track for early 2015.
- The Euro zone's trade surplus shrank in March, as exports and imports fell for the first time since the end of 2013. On a seasonally adjusted basis, exports dropped 0.5% m/m while imports were down 0.6% to give a surplus of €15.2bln.

### Elsewhere

- The International Monetary Fund warned that inflation rates in the Euro zone and other leading economies are too low, and pose a risk in the outlook for the global economy.
- China monthly economic data was disappointing, with retail sales rising 11.9% y/y (mkt est: +12.2% y/y), industrial production growth was at 8.7% y/y (mkt est: +8.9% y/y), and fixed asset investment increasing 17.3% y/y (mkt est: +17.7% y/y).
- China's April new loans were weaker than expected at RMB774bn (mkt est: RMB1,475bn), while aggregate financing printed at RMB1.55trn, which was in line with market estimate.
- The Australian government announced a mild tightening of fiscal policy in the 2014-2015 budgets with the aim of bringing the deficit down from AUD49.9bil (US\$46.6bil) to AUD29.8bil next year. The most significant changes in the budget include pare back on welfare spending, an extra 2% rise in income tax for high income earners (above AUD180,000) and plans to unfreeze and subsequently raise fuel levy.
- Japan's 1Q2014 GDP growth came in stronger than expected at 1.5% q/q (analyst expectations: 1.0% q/q). On an annualized basis, GDP grew 5.9% in 1Q2014 – the fastest pace of growth since 3Q2011 and above analyst expectations of 4% pace. Private consumption provided a boost as consumers rushed to make big purchases before the consumption tax hike took effect in April.

## Week Ahead (19<sup>th</sup> May – 23<sup>rd</sup> May)

This will be a week with relatively light data docket in the US as it heads into a long weekend next Monday (US markets will be closed on Monday, 26 May for US Memorial Day while the UK will also be closed for a Spring Bank holiday the same day). The Bank of Japan is the only major central bank with a monetary policy decision this week on Wednesday (21 May) while the Bank of England will release its latest minutes on the same day. The key focus will probably be the release of the minutes for the 29-30 April 2014 FOMC meeting on Wednesday (21 May). The key US manufacturing data this week will be the May preliminary Markit US manufacturing PMI survey on Thursday (22 May).

Economic Indicators						
Date	Time	Indicators	Month	Actual	Market Forecast	Previous
16 May	0830	SG NODX y/y	Apr	0.9	-3.3	-6.6%
	0830	SG NODX m/m sa	Apr	9.0	5.1	-8.9%
	10.16	CN Foreign Direct Investment y/y	Apr	3.4	1.0	-1.5%
	1530	TH Foreign Reserves USD	May 9	168.2	-	168.9bn
	1630	HK GDP q/q sa	1Q	0.2	0.4	0.9%
	1630	HK GDP y/y	1Q	2.5	3.0	2.9%
	1800	MY BoP Current Account Balance MYR	1Q	19.8	16.6	14.8bn
	1800	MY GDP y/y	1Q	6.2	5.7	5.1%
	2030	US Housing Starts	Apr	1072	980	947k
	2030	US Building Permits	Apr	1080	1010	1000k
	2155	US Univ. of Michigan Confidence	May P	81.8	84.5	84.1
19 May	1030	TH GDP q/q sa	1Q		-2.2	0.6%
	1030	TH GDP y/y	1Q		0.5	0.6%
	1630	HK Unemployment Rate sa	Apr		3.1	3.1%
20 May	0800	SG GDP saar q/q	1Q F		1.2	0.1%
	0800	SG GDP y/y	1Q F		5.4	5.1%
	1230	JP All Industry Activity Index m/m	Mar		1.6	-1.1%
	1600	TW Exports Orders y/y	Apr		5.2	5.9%
	1620	TW BoP Current Account Balance USD	1Q		-	17138mn
21 May	0750	JP Trade Balance JPY	Apr		-	1446.0bn
	0750	JP Exports y/y	Apr		-	1.8
	0750	JP Imports y/y	Apr		-	18.1
	1600	EZ Current Account nsa	Mar		-	13.9bn
	1700	MY CPI y/y	Apr		-	3.5%
	1900	US MBA Mortgage Applications	May 16		-	-
22 May	0945	CN HSBC China Manufacturing PMI	May P		-	48.1
	1630	UK Public Finances (PSNCR)	Apr		-	15.7bn
	1630	UK Public Sector Net Borrowing	Apr		-	4.9bn
	1630	UK GDP q/q	1Q P		-	0.8%
	1630	UK GDP y/y	1Q P		-	3.1%
	1800	MY Foreign Reserves USD	May 15		-	131.2bn
	2030	US Chicago Fed Nat Activity Index	Apr		-	0.20
	2030	US Initial Jobless Claims	May 17		-	-
	2030	US Continuing Claims	May 10		-	-
	2145	US Markit US Manufacturing PMI	May P		55.5	55.4
	2200	US Existing Home Sales m/m	Apr		1.8	-0.2%
	2200	US Leading Index	Apr		0.3	0.8%
23 May	1300	SG CPI m/m nsa	Apr		-	0.3%
	1300	SG CPI y/y	Apr		-	1.2%
	1530	TH Foreign Reserves USD	May 16		-	-
	1700	TW GDP y/y	1Q F		-	3.04%

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