



Review for week ending 18 Apr 2014

Equities

- **US equities were higher for the week, recouping last week's losses, as lower jobless claims and positive manufacturing sentiment in the Philadelphia region provided evidence that the softening of the economy was weather-related.** The Dow Jones Industrial Average and S&P 500 were up 2.38% and 2.71% for the week.
- **Europe markets closed higher on Thursday as investors focused on US corporate earnings and latest US jobs data, erasing early week losses resulting from the tensions in Ukraine.** The Euro Stoxx 50 ended 1.26% higher for the week.
- **Asian stocks were mixed for the week and ended Friday in quiet trade with many regionally markets closed for the Easter holidays except for Japan, China and South Korea.** Nikkei 225 posted weekly gain of 4%, as the weaker yen lent support to exporters and result from the Reuters Corporate Survey boosted sentiment. In the survey, 40% of companies said sales were steady and pricing power was not majorly affected following the sales tax hike in Japan. China markets were lower for the week with Shanghai Composite Index down 1.53%, weighed by China's 1Q2014 GDP which came in below expectations.

Fixed Income

- **US Treasury prices were lower for the week as positive economic data raised doubts that the Federal Reserve will maintain key interest rates low.** The yield on 10-year US Treasury rose 10bps for the week to end at 2.722% on Thursday.

Commodities

- **Gold futures were down 1.92% for the week, on worries of China demand and outflow from gold-backed funds.** Holdings in the world's largest gold ETF, SPDR Gold Trust fell 8.39 tons to 798.43 tons on Wednesday, the largest daily outflow since December.

Foreign Exchange Rates	Close	1W Change (%)	YTD Change (%)
AUD	0.9333	-0.68%	5.03%
CAD	1.1024	0.40%	3.57%
CHF	0.8835	0.84%	-0.91%
EUR	1.3813	-0.52%	-0.52%
GBP	1.6794	0.36%	1.38%
JPY	102.4300	0.80%	-2.68%
NZD	0.8582	-1.22%	-1.22%
SGD	1.2527	0.33%	-0.82%

Key Global Indices	Close	1W Change (%)	YTD Change (%)
Dow Jones Ind Avg	16,408.54	2.38%	-1.01%
S&P 500	1,864.85	2.71%	0.89%
NASDAQ Composite	4,095.52	2.39%	-1.94%
Euro Stoxx 50	3,155.81	1.26%	1.51%
FTSE 100	6,625.25	0.97%	-1.83%
DAX	9,409.71	1.01%	-1.49%
Hang Seng Index	22,760.24	-1.06%	-2.34%
Straits Times Index	3,253.80	1.74%	2.73%
Nikkei 225	14,516.27	3.98%	-10.90%
All Ordinaries	5,454.23	0.47%	1.91%

Commodities	Close	1W Change (%)	YTD Change (%)
WTI Crude Futures	104.30	0.54%	5.97%
Brent Crude Futures	109.53	2.05%	-1.15%
Gold Futures	1,293.40	-1.92%	7.58%
Reuters CRB Index	311.46	0.67%	11.17%

Bond Yields	Close	1W Change (%)	YTD Change (%)
2Y US Treasury	0.395	11.32%	4.03%
10Y US Treasury	2.722	3.69%	-10.13%
10Y JGB	0.605	N/A	N/A
10Y Bund	1.515	N/A	N/A
10Y Gilt	2.668	N/A	N/A

Rates based on last trading day.
Source: Bloomberg

- **WTI crude oil futures settled 0.54% higher for the week**, buoyed by positive US employment data which showed that new jobless claims dropped to a 6 ½ year low, a sign that the economy of the world's largest oil consuming country is gaining momentum.

US

- **US retail sales rose 1.1% m/m in March, from a revised 0.7% m/m pace in February and above expectations of 0.9% m/m.** Strong gains were seen in autos (+3.1%) and general merchandise (+1.9%), which encompasses retailers such as Wal-Mart and Target. The strong rebound in sales provides more evidence that the economy is emerging from the cold winter weather.
- **US business inventories rose 0.4% m/m in February, following a unrevised +0.4% m/m reading in January and marginally below expectations for 0.5% m/m reading**, as business sales rebounded to 0.8% m/m in February from -1.1% in January. The slower than expected pace of restocking could weigh on US economic growth in 1Q2014 as business work through the unsold stockpile accumulated in 2H2013.
- **US consumer price index ("CPI") rose 0.2% m/m and 1.5% y/y in March, from 0.1% m/m and 1.1% y/y in February and above analyst expectations of 0.1% m/m and 1.4% y/y reading.** Core CPI, which excludes the volatile energy and food components, came in at 0.1% m/m and 1.7% m/m in March, compared to 0.1% m/m and 1.6% y/y pace in February and analyst expectations of 0.1% m/m and 1.6% y/y reading. Among the components within core CPI, shelter costs rose 0.3% and accounted for almost two-thirds of the rise in index while cost of recreation and household furnishing dipped. Despite the rise in inflation, the CPI reading remains below the Fed's target of 2%, giving the central bank ample scope to maintain low interest rates.
- **In Janet Yellen's second public speech as the Federal Chairperson, she said that the Federal Reserve is making "meaningful progress" towards meeting its dual mandate but cautioned that it would likely take more than two years to eliminate remaining labour market slack.** Regarding inflation, she suggested that the probability of inflation rising significantly above 2% was "significantly below" the chances of inflation remaining below 2%.
- **The latest Beige Book suggested that the US economy rebounded from weather-related declines in recent weeks.** Expanding economy was reported in 10 out of 12 Fed bank districts from early March through mid-April. There was broad-based increase in consumer spending while housing recovery, which is more dependent on weather, was mixed.
- **US industrial production rose 0.7% m/m in March, following an upwardly revised 1.2% m/m reading in February and above analyst expectations for 0.5% m/m pace.** Capacity utilization, a measure the Fed looks at to gauge the amount of slack in the economy as well as the capacity for growth to run, rose to 79.2% in March, from a revised 78.8% in February.
- **US housing starts climbed 2.8% m/m in March to a seasonally adjusted annual rate of 946,000, below analyst expectations of 973,000-unit rate.** On a y/y basis, housing starts were down 5.9%.
- **Jobless claims for the week ending 12 April rose less than expected and remained close to 6 ½ year low.** The initial claims for unemployment benefit edged up 2,000 to a seasonally adjusted 304,000, well below analyst expectations of 315,000.
- **Factory activity in the Philadelphia region expanded faster than expected in April** as the Philadelphia Federal Reserve Bank said its business activity index rose to 16.6 from 9.0 in March, topping analyst expectations for 10.0.

Europe

- **Eurozone industrial production rose by 0.2% m/m and 1.7% y/y in February.** Output of intermediate goods and non-durable consumer goods was up 0.6% m/m and 0.5% m/m respectively, while durable consumer goods and energy were down 1.2% and 1.7% m/m respectively, resulting in the almost flat month-on-month gain.
- **The ZEW survey of investment analysts, a key German measure of investor confidence in the economy, slipped in April as the tensions in Ukraine created uncertainty about the future.** The ZEW survey dropped to 43.2 in April (March: 46.6), below analyst expectations of 45.0.
- **Euro zone 4Q2013 current account balance recorded a surplus of EUR39.4bil (1.2% of GDP), an improvement from EUR34.4bil (1.1% of GDP) posted in 3Q2013,** based on second estimate released by Eurostat. The breakdown showed that the surplus of goods account expanded to EUR8.4bil (3Q2013: EUR0.4bil), surplus of services account remained fairly unchanged at EUR44.3bil (3Q2013: EUR44.4bil), surplus of income account slipped to EUR6.2bil (3Q2013: EUR8.3bil), while deficit of current transfers account rose to -EUR19.5bil (3Q2013: -EUR18.6bil).
- **UK unemployment rate fell to 6.9% between December to February.** Besides a 0.3% improvement from the previous reading between November to January, the unemployment rate is now below the 7% threshold set by the Bank of England - the point when interest rate hike will be considered.
- **Eurozone inflation in March dropped to its lowest level since November 2009, adding pressure on the ECB to take action to counter deflation.** The inflation rate dropped to 0.5% y/y, from 0.7% in February, and was the sixth month that inflation remains below 1% "danger zone". Core inflation, which excludes energy, food, alcohol and tobacco, dropped to 0.7% y/y in March, from 1.0% y/y in the previous month.
- **Italy's industrial orders slipped 3.1% m/m in February** as both domestic and overseas demand were lower in the month, reversing January's revised 4.7% m/m increase.

Elsewhere

- **In the minutes from Reserve Bank of Australia's ("RBA") policy meeting on 1 April, the RBA Board said it was "prudent" to leave the cash rate unchanged at its historic low of 2.5%.** The RBA stated that based on current indications the course of action would be a period of stability in interest rates.
- **Advance estimate of Singapore's 1Q2014 GDP growth came in at 5.1% y/y (+0.1% q/q SAAR), in line with forecast by our Economic-Treasury Research team and slightly below consensus estimates of 5.4% pace.** The robust growth in the manufacturing sector (+8.0% y/y, +4.5% q/q SAAR) was supported by rebound in the biomedical manufacturing output and stronger growth in chemicals output. The overall performance of the services sector (+4.7% y/y, -1.8% q/q SAAR) was however dragged by slower expansion in the wholesale & retail trade and finance & insurance sectors.
- **Singapore retail sales climbed 3.0% m/m s.a. in February, buoyed by higher auto sales.** Excluding auto sales, retail sales was up 1.0% m/m s.a. in February, with apparel, footwear and watches and jewellery being the top performers, while the food and beverage industry recorded a 11.1% m/m drop.
- **Singapore's non-oil domestic exports ("NODX") contracted 6.6% y/y in March, following a revised 8.9% y/y expansion in February and well below analyst expectations of an already modest 0.5% growth.** The slump in NODX was largely due to persistent weakness in electronic NODX – the 20th consecutive month of contraction - and plunge in pharmaceutical exports. The disappointing NODX in March dragged 1Q2014 NODX back into contraction territory of -1% y/y. As this represents just a month's data point, our Economic-Treasury Research team remains optimistic that the steady recovery in G3

economics in 2014 will lift Singapore's export demand, particularly as US emerges from the harsh winter conditions and economic environment continues to stabilize in Europe, while keeping in mind the challenging environment for electronics exports as the latest US Semi Book to Bill ratio slipped to 1.0 in February (Jan: 1.04, Dec: 1.02).

- **China's 1Q2014 GDP grew at an annualized 7.4%, slowing from 7.7% in 4Q2013 but slightly above analyst expectations of 7.3%.** This represents China's slowest annual growth since 3Q2012 when growth was also 7.4%. The Beijing government has announced some modest measures, such as tax cuts for the smaller-sized firms and accelerating investment in rail projects, with the aim of steering GDP growth to the target level of 7.5% for 2014 without disrupting plans to restructure the economy.
- **Other March activity data in China was mixed** with retail sales climbing 12.2% y/y, above analyst expectations of 12.1% pace, while fixed asset investment for 1Q2014 rose 17.6% y/y, below analyst expectation of 18.1% pace and factory output grew 8.8% y/y, also weaker than analyst expectations of 9% expansion.
- **Total financing in China for 1Q2014 was RMB5.6tril – 9% below the RMB6.17tril recorded in 1Q2013.** With bank loans increasing 9% y/y to a total of RMB3tril in 1Q2014 (1Q2013: RMB2.75tril), this would imply that the portion of loans by trust companies (i.e. "shadow banking") has shrunk to 46% share in 1Q2014, from 55% in the same period a year ago, as the Beijing government steps up tightening of the shadow banking sector. M2, which is China's broadest gauge of money supply and tends to move in tandem to bank lending, also grew at the slowest pace on record, rising 12.1% y/y compared to analyst expectations of 13% and 13.3% pace in February.

Week Ahead (14th-17th April)

Following the Good Friday holiday (18 Apr) where most of the major developed economies (except Japan) were closed, the euro-zone and UK will remain shut on Easter Monday (21 Apr). The US markets return on Monday and there will be a moderately filled US data docket for the week. Key focus are likely the April Markit US PMI preliminary manufacturing (23 Apr) and services (25 Apr) survey data, the March durable goods orders (24 Apr), some of the US housing indicators (March existing homes sales on 22 Apr and March new home sales on 23 April) and the final reading for the April University of Michigan consumer confidence survey (25 Apr).

Economic Indicators						
Date	Time	Indicators	Month	Actual	Market Forecast	Previous
17 Apr	0830	SG NODX y/y	Mar	-6.6	0.0	8.9%
	0830	SG NODX m/m sa	Mar	-8.9	-3.0	7.0%
	2030	US Initial Jobless Claims	Apr 12	304	315	302k
	2030	US Continuing Claims	Apr 5	2739	2780	2750k
	2200	US Philadelphia Fed Business Outlook	Apr	16.6	10.0	9.0
18 Apr	0750	JP Tertiary Industry Index m/m	Feb	-1.0	0.2	0.9%
	1530	TH Foreign Reserves USD	Apr 11	169.0	-	168.0bn
21 Apr	0750	JP Trade Balance JPY	Mar		-1211.3	-802.5bn
	0750	JP Exports y/y	Mar		7.2	9.8
	0750	JP Imports y/y	Mar		15.5	9.0
	1600	TW Exports y/y	Mar		4.7	5.7%
	2100	US Chicago Fed Nat Activity Index	Mar		-	0.14
	2200	US Leading Index	Mar		0.7	0.5%

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