



Review for week ending 19 Sep 2014

Equities

- **U.S. equities were higher for the week as markets focused on the largely unchanged FOMC statement and Scotland voted to remain part of the United Kingdom.**The Dow Jones Industrial Average, S&P 500 and Nasdaq rose 1.72%, 1.25% and 0.27% respectively for the week respectively.
- **European equities ended the week higher, as Scotland voted to stay in the United Kingdom.**The Euro Stoxx 50 advanced 1.18% for the week.
- **Asia equities were mixed for the week.** Japan's Nikkei 225 continued to post another record weekly gain of 2.34% as the USDJPY rose to a record high of 109.46 on 19 Sep and closed at 109.04.

Fixed Income

- **The 10-year US Treasury price rose for the week,** as markets took advantage of the recent sharp sell-off. The 10-year US Treasury yield slipped 3.6bps.

Commodities

- **Gold futures tumbled 1.21% for the week,** continuing to be pressured by the strong dollar.
- **WTI crude oil futures settled 0.15% higher for the week,**

Foreign Exchange Rates	Close	1W Change (%)	YTD Change (%)
AUD	0.8925	-1.25%	0.44%
CAD	1.0963	-1.17%	3.00%
CHF	0.9408	0.81%	5.52%
EUR	1.2829	-1.03%	-1.03%
GBP	1.6288	0.12%	-1.68%
JPY	109.0400	1.58%	3.60%
NZD	0.8132	-0.25%	-0.25%
SGD	1.2672	0.33%	0.33%

Key Global Indices	Close	1W Change (%)	YTD Change (%)
Dow Jones Ind Avg	17,279.74	1.72%	4.24%
S&P 500	2,010.40	1.25%	8.77%
NASDAQ Composite	4,579.79	0.27%	9.65%
Euro Stoxx 50	3,273.25	1.18%	5.28%
FTSE 100	6,837.92	0.45%	1.32%
DAX	9,799.26	1.53%	2.59%
Hang Seng Index	24,306.16	-1.18%	4.29%
Straits Times Index	3,305.05	-1.21%	4.34%
Nikkei 225	16,321.17	2.34%	0.18%
All Ordinaries	5,433.06	-1.77%	1.51%

Commodities	Close	1W Change (%)	YTD Change (%)
WTI Crude Futures	92.41	0.15%	-6.11%
Brent Crude Futures	98.39	1.32%	-11.20%
Gold Futures	1,215.50	-1.21%	1.10%
Reuters CRB Index	279.40	-0.89%	-0.27%

Bond Yields	Close	1W Change	YTD Change
2Y US Treasury	0.565	0.005	N/A
10Y US Treasury	2.575	-0.036	N/A
10Y JGB	0.556	-0.022	N/A
10Y Bund	1.043	-0.039	N/A
10Y Gilt	2.544	+0.015	N/A

Rates based on last trading day.

Source: Bloomberg

US

- Industrial production US Industrial production fell 0.1% m/m (consensus estimate: +0.3% m/m) in August, the first decline since January and from a downwardly revised 0.2% m/m pace in July. Manufacturing production slipped 0.4%, following 0.7% surge in July, as motor vehicle output declined sharply by 7.6% mm in Aug (July: +9.3% m/m). Output for smaller mining and utilities sector however rose 0.5% and 1% respectively. Capacity utilization slipped 0.3% to 78.8% (consensus estimate: 79.3%). In a separate report, the Federal Reserve Bank of New York's Empire State manufacturing business conditions index spiked to 27.54 in September, from 14.7 in August. Most analysts view that the weakness in factory output in August is likely to be transitional and underlying trend remains in line with a steadily expanding factory sector.
- The September 2014 Federal Reserve Open Committee (FOMC) saw the Federal Reserve (Fed) continue to trim the Fed's monthly quantitative easing program further by another US\$10bil to US\$15bil. In terms of policy statement and Fed fund rate projections, mixed signal was delivered to the markets. On one hand, dovish language was maintained with minimal changes to the monetary policy statement and downward revision to projections for 2015 GDP growth. On the other hand, the path of the projected Federal Reserve (Fed) Fund rate steepened which somewhat reflects the Fed's confidence that the US economy is able to tide through a faster pace of normalization of interest rates. UOB Global Economics and Markets Research team maintains the view that Fed rate normalization is likely to take place in 2Q2015 (possibly starting in the 16-17 June 2015 FOMC), bringing the FFTR to 1.25% by end-2015, and to 3.25% by end-2016.
- Inflation data continued to moderate, supporting the Fed's view of subdued inflationary pressures. US Consumer prices fell by 0.2% m/m (+1.7% y/y), the first monthly decline since April 2013. Core inflation was flat on a m/m basis in August while falling on a y/y basis to 1.7% (July: 1.9%), indicating that the softer headline reading was not only due to the pull back in energy prices.

Europe

- The Eurozone trade surplus narrowed to EUR 12.2 bil in July (June: EUR 13.8 bil) as exports declined by 0.2% m/m, while imports increased by 0.9% m/m. Since the beginning of the year, exports have trended sideways while imports have showed a slight upward trend in recent months. Going forward, the recent weakening of the EUR should affect the trade surplus positively.
- UK consumer price inflation (CPI) decelerated to 1.5% y/y in August (July: 1.6% y/y), in line with expectations and largely driven by declining food and oil prices. Core inflation, in contrast, unexpectedly edged up 1.9% y/y (July: 1.8% y/y). Inflation is unlikely to rise significantly in the coming months as wage growth remains muted, as seen in the labour market report which suggests that there is still an appreciable amount of labour market slack with little pressure on inflation.
- In the German ZEW survey, investor confidence worsened further in September to 6.9 (Aug: 8.6) well below its long-term average of 24.6 as conflict in Ukraine and weak economic growth in the eurozone continue to undermine confidence. The fall was however less sharp than in August and of a smaller magnitude than consensus estimates.
- In the first allotment of the Targeted Longer-Term Refinancing Operations (TLTROs), demand was underwhelming at EUR 82.6 bil versus an expected EUR 150 bil. Banks are allowed to borrow up to EUR 400 bil in aggregate in the first two allotment. Some likely deterrents to banks borrowing more were: (1) uncertainty related to the ongoing Asset Quality Review (AQR) and bank stress test and (2) the negative deposit rate which provides little incentive for banks to take the ECB loans on standby unless the banks have ready loans to originate. The lack of demand prompts fresh talk that further easing measures may be required.

Elsewhere

China

- The People's Bank of China (PBoC) has provided the five largest local banks each with CNY 100 bil of 3-month liquidity under its Standing Liquidity Facility, according to China's local news website sina.com which has yet to be officially confirmed by the central bank. The policy move is equivalent to the expansion of base money supply or 50 basis points reduction in the banks' required reserve ratio (RRR). This latest target stimulus comes in response to a weak set of August macroeconomic data.

Week Ahead (22th -26th September)

The week ahead will be moderately filled with US economic data and the the key US data focus will be on the 3rd estimate of the 2Q2014 GDP (26 Sep) where markets are forecasting a further upward revision to 4.6% q/q SAAR (from 4.2%). The economic docket for rest of the developed economies is relatively heavy compared to the US. In Asia, focus will be on the prelim September HSBC/Markit China Manufacturing PMI on Tuesday morning

22-Sep-14	Event	Period	Survey	Actual	Prior
US	Existing Home Sales	Aug	5.20M	--	5.15M
EC	Consumer Confidence	Sep A	-10.5	--	-10
23-Sep-14	Event	Period	Survey	Actual	Prior
CH	HSBC China Manufacturing PMI	Sep P	50	--	50.2
SI	CPI YoY	Aug	1.20%	--	1.20%
FR	GDP QoQ	2Q F	0.00%	--	0.00%
FR	GDP YoY	2Q F	0.10%	--	0.10%
FR	Manufacturing Confidence	Sep	96	--	96
FR	Markit France Manufacturing PMI	Sep P	47	--	46.9
GE	Markit/BME Germany Manufacturing PMI	Sep P	51.2	--	51.4
EC	Markit Eurozone Manufacturing PMI	Sep P	50.6	--	50.7
EC	Markit Eurozone Composite PMI	Sep P	52.4	--	52.5
US	Markit US Manufacturing PMI	Sep P	58	--	57.9
24-Sep-14	Event	Period	Survey	Actual	Prior
NZ	Trade Balance	Aug	-1125M	--	-692M
JN	Markit/JMMA Japan Manufacturing PMI	Sep P	--	--	52.2
GE	IFO Business Climate	Sep	105.8	--	106.3
GE	IFO Current Assessment	Sep	110.1	--	111.1
GE	IFO Expectations	Sep	101.2	--	101.7
IT	Consumer Confidence Index	Sep 19-	--	--	101.9
US	MBA Mortgage Applications	Sep	--	--	7.90%
US	New Home Sales	Aug	430K	--	412K
25-Sep-14	Event	Period	Survey	Actual	Prior
EC	M3 Money Supply YoY	Aug	1.90%	--	1.80%
IT	Retail Sales MoM	Jul 20-	--	--	0.00%
US	Initial Jobless Claims	Sep	--	--	280K
US	Durable Goods Orders	Aug	-17.00%	--	22.60%
26-Sep-14	Event	Period	Survey	Actual	Prior
JN	Natl CPI YoY	Aug	3.30%	--	3.40%
JN	Tokyo CPI Ex-Fresh Food YoY	Sep	2.60%	--	2.70%
SI	Industrial Production YoY	Aug	3.30%	--	3.30%
FR	Consumer Confidence	Sep	86	--	86
IT	Business Confidence	Sep	--	--	95.7
US	GDP Annualized QoQ	2Q T	4.60%	--	4.20%
US	GDP Price Index	2Q T	2.10%	--	2.10%
US	Univ. of Michigan Confidence	Sep F	85	--	84.6

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