



Review for week ending 5 Sep 2014

### Equities

- **U.S. equities** were midly higher for the week, despite a weaker than expected US labour repot. The Dow Jones Industrial Average, S&P 500 and Nasdaq gained 0.23%, 0.22% and 0.06% for the week respectively.
- **European equities** ended the week higher, boosted by ECB's surprise rate cut at the 4 Sep meeting. The Euro Stoxx 50 was surged 3.23% for the week.
- **Asia equities** were mostly higher for the week. The biggest gainer was the Shanghai Composite Index, up 4.9%, after the HSBC China services Purchasing Managers' Index for August rose to 54.1, a 17-month high.

### Fixed Income

- **The 10-year U.S. Treasury yield** gained 0.116bps for the week, as analysts played down a weaker-than-anticipated payrolls report.

### Commodities

- **Gold futures** settled at 1,266.30 end of the week, amid mixed news on the geopolitical front.
- **WTI crude oil futures** settled 2.78% lower for the week, as disappointing US jobs data undermined demand from the world's largest oil consuming economy.

Foreign Exchange Rates	Close	1W Change (%)	YTD Change (%)
AUD	0.9378	0.42%	5.54%
CAD	1.0880	0.02%	2.22%
CHF	0.9311	1.40%	4.43%
EUR	1.2951	-1.38%	-1.38%
GBP	1.6327	-1.63%	-1.44%
JPY	105.0900	0.96%	-0.15%
NZD	0.8327	-0.42%	-0.42%
SGD	1.2540	0.42%	-0.71%

Key Global Indices	Close	1W Change (%)	YTD Change (%)
Dow Jones Ind Avg	17,137.36	0.23%	3.38%
S&P 500	2,007.71	0.22%	8.62%
NASDAQ Composite	4,582.90	0.06%	9.73%
Euro Stoxx 50	3,275.25	3.23%	5.35%
FTSE 100	6,855.10	0.52%	1.57%
DAX	9,747.02	2.92%	2.04%
Hang Seng Index	25,240.15	2.01%	8.30%
Straits Times Index	3,341.73	0.44%	5.50%
Nikkei 225	15,668.68	1.58%	-3.82%
All Ordinaries	5,598.69	-0.48%	4.61%

Commodities	Close	1W Change (%)	YTD Change (%)
WTI Crude Futures	93.29	-2.78%	-5.21%
Brent Crude Futures	100.82	-2.30%	-9.01%
Gold Futures	1,266.30	-1.57%	5.32%
Reuters CRB Index	288.02	-1.62%	2.80%

Bond Yields	Close	1W Change	YTD Change
2Y US Treasury	0.508	0.020	33.69%
10Y US Treasury	2.459	0.116	-18.81%
10Y JGB	0.536	0.038	N/A
10Y Bund	0.928	0.038	N/A
10Y Gilt	2.463	0.095	N/A

Rates based on last trading day.

Source: Bloomberg

## US

- The ISM manufacturing Purchasing Managers' Index (PMI) unexpectedly continued to rise from an already elevated level, increasing to 59.0 in August (July: 57.1). Improvements were broad-based across the components, with new orders expanding at the fastest pace in more than ten years. The ISM nonmanufacturing index rose to 59.6 in August from 58.5 in July, the highest level in over nine years. The data points to further improvements in industrial production and economic momentum.
- Private sector employment rose for the fifth consecutive month by more than 200k in July (+204k versus consensus estimate of +220k). Initial jobless claims remained close to pre-crisis low (302k) in the week ending 30 Aug. Non farm payrolls however was mildly disappointing as employers added 142k jobs in August, following six consecutive months of more than 200k increase. The unemployment rate fell to 6.1% in August, after edging up to 6.2% in July. Hourly earnings rose 2.1% over the past year.

## Europe

- The final Eurozone Manufacturing PMI for August was downwardly revised to 50.7, from the flash print of 50.8. The lowest reading since July 2013 was mainly due to slowdown in new orders and new export business. The decline was broad-based across the European countries with Germany, Spain and the Netherlands maintaining above the 50-level which indicates expansion while Italy slipped into contraction. France continued to disappoint as the French PMI stayed in the contraction territory for the fourth consecutive month. On the whole, the weak Eurozone PMI points to a fragile European recovery.
- The final print of German Q22014 GDP confirmed the contraction of 0.2% q/q, following +0.7% q/q growth in Q12014. The main drag on growth was gross fixed capital investment, which dropped by 2.3% q/q in Q22014, particularly from falling construction investment (-4.2% q/q). The trade deficit also contributed to the reduced Q2 GDP growth, while private consumption (+0.1% q/q) remained supportive.
- Retail sales in Eurozone fell 0.4% m/m in July following three consecutive months of positive growth though June's reading was revised slightly downwards to 0.3% m/m (previous estimate: +0.4% m/m). The weaker sales figure reflects the recent decline in consumer confidence. The countries that saw the largest decline in total retail sales were recorded in Austria (-1.5% m/m), Germany (-1.4% m/m) and Sweden (-1.3% m/m).
- The Bank of England (BoE) kept its monetary stance unchanged at the 4 Sep meeting, in line with expectations against a backdrop of muted inflation and subdued wage growth.
- The European Central Bank (ECB) surprised most market watchers at the 4 Sep meeting by cutting interest rates and announcing an asset purchase program. The deposit rate was lowered to -0.2% while the main refinancing rate was reduced to just 0.05%.

## Elsewhere

### Japan

- The Bank of Japan (BOJ) kept its present policy unchanged and refrained from any new easing measures at the 4 Sep meeting despite recent soft July data. The decision was in line with projections by the market and UOB Global Economics & Markets Research team though the team still expects additional easing on concerns that consumer weakness could continue into 3Q2014, posing a drag on economic growth.

### Australia

- The Reserve Bank of Australia (RBA) left the cash rate unchanged at 2.5% for the 12<sup>th</sup> consecutive month at the 2 Sep meeting. The central bank reiterated its stance held since the beginning of the year that "the most prudent course is likely to be a period of stability in interest rates". However, there was a tweak in the currency language, with RBA stating that "the exchange rate remains above most estimates of its fundamental value, particularly given the declines in key commodity prices", adding that "it is offering less assistance than would normally be expected in achieving balanced growth in the economy".

- The Australian economy expanded more than expected in 2Q2014, growing 0.5% q/q versus consensus estimate of 0.4% q/q. The expansion was mainly driven by a large inventory build-up. Although the pace of growth in 2Q was a slowdown from upbeat 1Q (+1.1% q/q), growth remained strong on a y/y basis at 3.1% (1Q2014: 3.4%). Trade deficit due to surging imports weighed on growth while consumption growth remained unchanged at 0.5% q/q. Total investment rose +0.3% q/q, as construction activity offset decline in mining investment.

#### China

- Activity in China's vast factory sector slowed as seen in the manufacturing PMI data released. The HSBC manufacturing PMI was revised down to 50.2 in August, from initial estimate of 50.3. Official manufacturing PMI falls to 51.1pts in August, from 51.7pts in July. However, services PMI rebounded to a 17-month high, jumping to 54.1 in August from a nine-year low of 50.0 in July.

### Week Ahead (8<sup>th</sup>-12<sup>th</sup> September)

Following an exciting week of jobs data and monetary policy decisions, the upcoming week will see less prominence US data docket. Instead, market attention may switch focus to geopolitics (the on-going violence in Ukraine and Middle East) while in UK there is the Scotland Independence Referendum due on 18 September which is already having impact on the GBP. Key US data are the August advance retail sales data and the preliminary September University of Michigan consumer confidence survey, both on 12 Sep (Fri).

8 Sep 2014	Event	Period	Survey	Prior
JN	BoP Current Account Balance	Jul	¥444.2B	-¥399.1B
JN	GDP SA QoQ	2Q F	-1.80%	-1.70%
JN	GDP Annualized SA QoQ	2Q F	-7.00%	-6.80%
JN	GDP Deflator YoY	2Q F	2.00%	2.00%
ES	GDP YoY	2Q F	--	2.20%
ES	Unemployment Rate	Aug	--	4.20%
9 Sep 2014	Event	Period	Survey	Prior
JN	Tertiary Industry Index MoM	Jul	0.30%	-0.10%
JN	Money Stock M2 YoY	Aug	2.90%	3.00%
JN	Money Stock M3 YoY	Aug	2.40%	2.40%
AU	NAB Business Confidence	Aug	--	11
AU	NAB Business Conditions	Aug	--	8
AU	Home Loans MoM	Jul	1.00%	0.20%
10 Sep 2014	Event	Period	Survey	Prior
JN	PPI YoY	Aug	4.10%	4.30%
JN	Machine Orders MoM	Jul	4.00%	8.80%
AU	Westpac Consumer Conf SA MoM	Sep	--	3.80%
FR	Industrial Production MoM	Jul	--	1.30%
FR	Industrial Production YoY	Jul	--	-0.40%
US	MBA Mortgage Applications	05-Sep	--	0.20%
US	Wholesale Inventories MoM	Jul	0.50%	0.30%
CH	Money Supply M2 YoY	Aug	13.50%	13.50%
11 Sep 2014	Event	Period	Survey	Prior
NZ	RBNZ Official Cash Rate	11-Sep	3.50%	3.50%
CH	PPI YoY	Aug	-1.10%	-0.90%
CH	CPI YoY	Aug	2.20%	2.30%
AU	Employment Change	Aug	15.0K	-0.3K
AU	Unemployment Rate	Aug	6.30%	6.40%
GE	CPI MoM	Aug F	0.00%	0.00%
GE	CPI YoY	Aug F	0.80%	0.80%
FR	CPI EU Harmonized YoY	Aug	--	0.60%
FR	CPI MoM	Aug	--	-0.30%
FR	CPI YoY	Aug	--	0.50%
US	Initial Jobless Claims	06-Sep	--	302K

12 Sep 2014	Event	Period	Survey	Prior
NZ	BusinessNZ Manufacturing PMI	Aug	--	53
NZ	Food Prices MoM	Aug	--	-0.70%
JN	Industrial Production MoM	Jul F	--	0.20%
IT	Industrial Production MoM	Jul	--	0.90%
IT	CPI EU Harmonized YoY	Aug F	--	-0.20%
US	Retail Sales Advance MoM	Aug	0.30%	0.00%
US	Import Price Index MoM	Aug	-0.90%	-0.20%
US	Univ. of Michigan Confidence	Sep P	83	82.5

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