



Review for week ending 20 June 2014

### Equities

- **U.S. equity prices firmed during the week, amid favorable economic data release, positive corporate earnings revisions and benign commentary from the Federal Reserve.** The Dow Jones Industrial Average and S&P 500 rose 1.02% and 1.38% respectively for the week.
- **Europe markets maintained their gain for the week despite losses on Friday amid weaker than expected Euro zone consumer confidence.** The Euro Stoxx 50 was up 0.59% for the week.
- **Asia equities were mostly lower for the week.** However, the Nikkei 225 Average rose to nearly a five-month high, reflecting optimism among global investors on Prime Minister Shinzo Abe's new economic reform program, including a corporate-tax cut.

### Fixed Income

- **US Treasury prices were lower for the week,** with the 2-year US Treasury yield and 10-year US Treasury yield up 0.7bps and 0.2bps respectively.

### Commodities

- **Gold futures continues to inch up, reaching almost 2-month high on Friday** as ongoing violence in Iraq and geopolitical tensions supported the precious metal's safe-haven appeal. Gold futures settled at 1,316.20 on Friday.
- **WTI crude oil futures settled at 107.26 on Friday, the highest level since September 2013,** as violence escalates in Iraq, OPEC's second-largest producer.

Foreign Exchange Rates	Close	1W Change (%)	YTD Change (%)
AUD	0.9388	-0.15%	5.65%
CAD	1.0758	-0.89%	1.07%
CHF	0.8951	-0.56%	0.39%
EUR	1.3600	0.44%	0.44%
GBP	1.7013	0.27%	2.70%
JPY	102.0700	0.03%	-3.02%
NZD	0.8698	0.39%	0.39%
SGD	1.2490	-0.17%	-1.11%

Key Global Indices	Close	1W Change (%)	YTD Change (%)
Dow Jones Ind Avg	16,947.08	1.02%	2.23%
S&P 500	1,962.87	1.38%	6.20%
NASDAQ Composite	4,368.04	1.33%	4.58%
Euro Stoxx 50	3,302.36	0.59%	6.22%
FTSE 100	6,825.20	0.70%	1.13%
DAX	9,987.24	0.75%	4.55%
Hang Seng Index	23,194.06	-0.54%	-0.48%
Straits Times Index	3,258.80	-1.05%	2.88%
Nikkei 225	15,349.42	1.67%	-5.78%
All Ordinaries	5,419.48	0.27%	1.26%

Commodities	Close	1W Change (%)	YTD Change (%)
WTI Crude Futures	107.26	0.33%	8.98%
Brent Crude Futures	114.81	1.23%	3.62%
Gold Futures	1,316.20	3.34%	9.47%
Reuters CRB Index	312.93	0.95%	11.69%

Bond Yields	Close	1W Change	YTD Change
2Y US Treasury	0.456	+0.007	N/A
10Y US Treasury	2.605	+0.002	N/A
10Y JGB	0.590	-0.012	N/A
10Y Bund	1.343	-0.020	N/A
10Y Gilt	2.760	+0.015	N/A

Rates based on last trading day.

Source: Bloomberg

## US

- US industrial production rose 0.6% m/m in May, above market expectations of 0.5% m/m, driven by solid rise in manufacturing output. Automobile and machinery output led the gains, rising 1.5% m/m and 1.1% m/m respectively. Industry capacity utilization rose to 79.1% in May, from 78.9% in April.
- The International Monetary Fund ("IMF") called on the US to raise its federal minimum wage rate in its annual review of the US economy, describing the current rate of \$7.25 per hour low by both historical and international standards. The IMF also lowered its US GDP growth forecast to 2% for 2014 (from previous forecast of 2.8%) while maintaining growth forecast of 3% in 2015.
- US CPI inflation came in higher than expected in May. The headline CPI inflation rose 0.4% m/m (market estimate: +0.2% m/m) – the biggest increase in 15 months – driven by increase in energy and utilities prices.
- Housing starts continued their bumpy readings, slipping 6.5% m/m in May, following a 12.7% m/m rise in April. The upward trend remained intact on the whole as housing starts rose 9% y/y and the number of housing starts over the past 12 months was the highest since 2008. Separately, building permits fell 6.4%, led by the decline in the multifamily sector as single-family permits rose slightly.
- At the June Federal Open Market Committee ("FOMC") meeting, it was unanimously decided to continue to trim the Fed's monthly quantitative easing further by another US\$10bil to US\$35bil. The Fed's assessment of the US economic outlook remained fairly optimistic though the Fed trimmed its 2014 GDP forecast range lower to 2.1-2.3% (from previous forecast of 2.8-3.0% in March) while maintaining the 3.0-3.2% range for 2015 GDP growth.

## Europe

- Euro-area consumer confidence unexpectedly fell to -7.4 in June, from -7.1 in May, below consensus estimates of an improvement to -6.5.
- Euro zone's current account surplus expanded to EUR21.5 bil in April, from EUR19.6 bil in March. For the 12-month period that ended in April 2014, the cumulated surplus stood at 2.6% of GDP, higher than the 1.9% in the 12 months ended April 2013.
- Investment sentiment in Germany fell to its lowest level for 18 months in June, raising concerns that Europe's top economy is losing momentum. The German ZEW investor survey fell to 29.8 points in June, from 33.1 in May, and below analyst expectations of 35 points.
- UK inflation fell to 1.5% y/y in May, compared to 1.8% y/y in April. This is the sixth consecutive month that inflation is below the Bank of England's ("BOE") target. The fall in inflation was mainly due to lower fares for flights as well as fall in food prices.
- UK house price expectations among home-owners slipped to a six-month low in June, according to a survey by estate agency Knight Frank and data firm Markit. The balance of home-owners who expect the value of their home prices to rise in the next 12 months slipped from 75.1 in May to 71.6 in June.
- The Bank of England ("BOE") minutes showed that the Monetary Policy Committee ("MPC") voted unanimously to keep interest rates unchanged at the June meeting. However, the minutes carried a more hawkish tone, in line with Governor Carney's recent comments that an interest rate rise "could happen sooner than markets currently expect".

## Elsewhere

- Several Chinese mid-sized banks obtained approval from the People's Bank of China ("PBOC") for a 0.50ppt selective reserve requirement ratio ("RRR") cut on 16 June. The banks were China Merchants Bank, China Minsheng Bank, Industrial Bank and Bank of Ningbo. The PBOC had clarified that the inclusion of the mid-sized banks for RRR cut does not suggest an expansion of scope. Rather, the eligibility criteria is based on amount of lending the bank has to the agricultural sector and smaller companies. Based on estimates by UOB Kay Hian, this selective rate cut will release RMB 38bil of liquidity into the market.
- Direct RMB-GBP trading commenced on 19 June with a subsidiary of the China Construction Bank appointed to undertake RMB clearing business in London. The pound becomes the fifth major currency to trade directly against the RMB in Shanghai, joining the AUD, NZD, JPY, and the USD.
- The minutes from the Reserve Bank of Australia ("RBA") was slightly more dovish than previous meetings, with the central bank noting that "low interest rates were working to support demand, although it was difficult to judge the extent to which this would offset the expected substantial decline in mining investment and the effect of planned fiscal consolidation."
- New Zealand's 1Q2014 GDP rose 1.0% q/q, slightly below analyst expectations of +1.1% q/q but was the third consecutive quarter in which GDP expanded by 1.0% or more. Two-thirds of the GDP growth came from construction.
- The number of private homes sold by developers in Singapore in May rose to 1,470 units – a 0.8% rise from a year ago and nearly double of April's sale of 749 units. It was also the highest monthly sales figure since the Total Debt Servicing Ratio was introduced in June 2013. The improved sales volume was partly due to more units for sale as well as re-launch at discounted prices.
- The Bank of Thailand kept their policy rate unchanged at 2.00% at the June policy meeting, in line with market expectations though some predicted a 25bps cut as 1Q2014 GDP had disappointed. Thailand's 1Q2014 GDP contracted 0.6% y/y, the slowest pace in two years as the political stalemate posed a drag on domestic and tourism demand.

## Week Ahead (23<sup>rd</sup> June-27<sup>th</sup> June)

The key US economic data this week will be the third reading for 1Q2014 GDP (25 June). The second reading was revised lower to contraction of 1% q/q, from initial estimate of +0.1%. The May PCE headline and core deflator will be released on 26 June (Thursday) and will be of significant attention given the increasing concerns on US inflation outlook.

In the Euro zone, there will be release of confidence readings through the week, including the German IFO on 24 June (Tue), German GfK consumer confidence and French INSEE business confidence on 26 June (Thur) and the Italian business confidence and European Commission confidence index on 27 June (Fri).

Economic Indicators						
Date	Time	Indicators	Month	Actual	Market Forecast	Previous
20 Jun	1530	TH Foreign Reserves USD	Jun 13	167.1	-	166.9bn
	1600	EZ ECB Current Account sa	Apr	21.5	-	19.6bn
	1600	TW Export Orders y/y	May	4.7	7.2	8.9%
	1630	UK Public Finances (PSNCR)	May	8.5	-	-10.8bn
	1630	UK Public Sector Net Borrowing	May	11.5	12.0	9.0bn
	1700	MY CPI y/y	May	3.2	3.3	3.4%
	1800	MY Foreign Reserves USD	Jun 13	131.1	-	130.9bn
	2200	EZ Consumer Confidence	Jun A	-7.4	-6.5	-7.1
23 Jun	0830	TW Unemployment Rate	May		4.02	4.04%
	0945	CN HSBC China Manufacturing PMI	Jun		49.8	49.4
	1300	SG CPI nsa m/m	May		0.5	-0.2%
	1300	SG CPI y/y	May		2.6	2.5%
	1600	TW Industrial Production y/y	May		2.48	4.80%
	2030	US Chicago Fed Nat Activity Index	May		-	-0.32
	2145	US Markit US Manufacturing PMI	Jun		56.0	56.4
	2200	US Existing Home Sales m/m	May		1.7	1.3%
24 Jun	2200	US Consumer Confidence Index	Jun		83.5	83.0
	2200	US New Home Sales m/m	May		1.6	6.4%
25 Jun	0900	PH Trade Balance	Apr		-	-146mn
	0900	PH Imports y/y	Apr		-	9.6%
	2030	US Durable Goods Orders	May		-0.2	0.6%
	2030	US GDP Annualized q/q	1Q		-1.8	-1.0%
	2030	US Personal Consumption	1Q		-	3.1%
	2030	US GDP Price Index	1Q		1.3	1.3%
	2030	US Core PCE q/q	1Q		-	1.2%
	2145	US Markit Services PMI	Jun		-	58.1
26 Jun	1300	SG Industrial Production sa m/m	May		-0.3	-4.7%
	1300	SG Industrial Production y/y	May		2.5	4.6
	1630	HK Exports y/y	May		1.4	-1.6%
	1630	HK Imports y/y	May		2.6	2.4%
	1630	HK Trade Balance	May		-50.4	-55.3bn
	2030	US Initial Jobless Claims	Jun		-	312k
	2030	US Continuing Claims	Jun		-	2561k
	2030	US Personal Income	May		0.4	0.3%
	2030	US Personal Spending	May		0.4	-0.1%
	2030	US PCE Deflator m/m	May		0.3	0.2%
	2030	US Core PCE m/m	May		0.2	0.2%

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