



Review for week ending 14 February 2014

### Equities

- **US equities posted their best weekly gain for 2014 despite mixed economic data released on Friday.** The Dow Jones Industrial Average and S&P 500 both climbed 2.3% for the week, closing at 16,154 and 1,839 respectively.
- **European stocks were higher on Friday after Eurozone 4Q2013 GDP data confirmed gradual recovery on track for the region.** The German equities were the best performer for the week as the DAX was up 3.9%.
- **Asian stocks mostly rose on Friday, buoyed by surge in China's trade surplus.** Hang Seng Index and ASX 200 were up 3.06% and 3.67% respectively for the week. Nikkei 225 however slipped 1.03% for the week as the stronger yen weighed on the Japan exporters.

### Fixed Income

- **US 10-year Treasury prices declined on Friday despite mixed US economic data** as investors shrugged off disappointing industrial production figures and instead focused on steady consumer sentiment report.

### Commodities

- **Spot gold climbed to its highest level in 3 months, closing at 1,319 on Friday** as investors turned to the safe haven precious metal amid continued US economic worries.
- **WTI crude oil futures settled lower on Friday,** weighed down by soft industrial production but managed to hold on to a third session above \$100.

Foreign Exchange Rates	Close	1W Change (%)	YTD Change (%)
AUD	0.9034	0.84%	1.67%
CAD	1.0978	-0.49%	3.14%
CHF	0.8925	-0.62%	0.10%
EUR	1.3693	0.43%	0.43%
GBP	1.6747	2.05%	1.09%
JPY	101.8000	-0.49%	-3.28%
NZD	0.8362	0.81%	0.81%
SGD	1.2592	-0.71%	-0.30%

Key Global Indices	Close	1W Change (%)	YTD Change (%)
Dow JonesIndAvg	16,154.39	2.28%	-2.55%
S&P 500	1,838.63	2.32%	-0.53%
NASDAQ Composite	4,244.03	2.86%	1.61%
Euro Stoxx 50	3,119.06	2.65%	0.32%
FTSE 100	6,663.62	1.40%	-1.27%
DAX	9,662.40	3.88%	1.15%
Hang Seng Index	22,298.41	3.06%	-4.32%
Straits Times Index	3,038.71	0.85%	-4.06%
Nikkei 225	14,313.03	-1.03%	-12.14%
All Ordinaries	5,356.26	3.67%	0.08%

Commodities	Close	1W Change (%)	YTD Change (%)
WTI Crude Futures	100.30	0.42%	1.91%
Brent Crude Futures	109.08	-0.45%	-1.55%
Gold Futures	1,319.00	4.41%	9.71%
Reuters CRB Index	293.24	1.20%	4.67%

Bond Yields	Close	1W Change (%)	YTD Change (%)
2Y US Treasury	0.311	2.41%	-18.22%
10Y US Treasury	2.743	2.23%	-9.42%
10Y JGB	0.593	N/A	N/A
10Y Bund	1.679	N/A	N/A
10Y Gilt	2.794	N/A	N/A

Rates based on last trading day.  
Source: Bloomberg

## US

- **In Janet Yellen's first semi-annual monetary policy Congressional testimony, she said that she expects continuity in the Fed's approach to monetary policy.** She also said that she will be looking beyond traditional measures of unemployment rate for cues on the economy, health of job market and rate increases.
- **January retail sales declined 0.4% m/m, compared to a revised 0.1% dip in December.** Stripping out automobiles, gasoline and food services, core sales were down by 0.3% in January, versus a downwardly revised 0.3% rise in December. Adverse weather was likely a contributor to the weak sales figures.
- **Consumer confidence, as measured by University of Michigan, came in at 81.2 in February, unchanged from final reading in January.** The reading was better than analyst expectations of 80.6 reading and indicates consumers remain upbeat about the economic outlook, which may be a sign spending could pick up in the coming months.
- **Industrial production fell 0.3% m/m in January, lower than analyst expectations of 0.3% gain.** Factory production dropped sharply by 0.8%, the first drop since July and the biggest since May 2009, when the economy was still locked in recession.
- **U.S. export prices climbed 0.2% in January, compared to analyst expectations of a flat reading.** This was the third consecutive month of increase and a potentially positive sign for global economic demand as well as the outlook for American manufacturers.
- **US President Barrack Obama signed legislation to raise the US debt ceiling through March 2015.** With the increase in the debt limit, the US government averted defaulting on some of its debt obligations that will be due soon and takes the political issue off the table with the upcoming November congressional elections.

## Europe

- **French industrial production slipped 0.3% m/m in December.** Compared to a year ago, it fell 0.5%. The December fall was largely dragged by the energy sector, which fell to -2.6% in December (November: 7.1%) while the relatively stable manufacturing sector was unchanged in December.
- **Italian industrial production fell 0.9% m/m and 0.7% y/y in December.** Output fell across all sectors except intermediate goods. Capital goods output dropped 2.5%, consumer goods fell 0.4% and energy production edged down 0.2%.
- **The euro zone economy grew by 0.3% in 4Q2013, up from 0.1% growth in the previous quarter and higher than analyst expectations of 0.2 pace.** It was the third quarter of growth since the end of an 18-month recession. Germany and France led the expansion, growing faster than forecast in the final quarter of 2013, with their economies expanding by 0.4% and 0.3% respectively.
- **Moody's raised its outlook for Italy's government bond rating from negative to stable on Friday, while reaffirming its sovereign debt at Baa2.** The rating agency added that resignation of Letta as Italy's Prime Minister and expectations that Renzi will be the new Prime Minister does not affect their view of Italy's rating. The key drivers for the change in outlook are: (1) projected leveling off of the government debt-to GDP ratio and (2) reduced risk that Italian banks will need government assistance.

## Elsewhere

- **China's trade exports jumped 10% in January, which surpassed expectations of little or no jump in the trade figures as Chinese factory output lost momentum in December and recent GDP data showed signs of slow down.** The unexpected surge in export numbers, when its neighbors who usually experienced the same trade winds like Taiwan and South Korea posted decline in exports, casts doubts on the reliability of official Chinese data, underscoring the challenge in tracking the world's second largest economy.
- **China's consumer prices remained subdued in January, with inflation rate holding steady at a seven-month low of 2.5%.** The latest consumer prices leaves room for the Chinese government to loosen monetary policy if growth falls too low.
- **The ratio of non-performing loan ratio rose to 1% at the end of 4Q2013, up from 0.97% at the end of September.** This was the highest level in 2 years. The average capital adequacy ratio stood at 12.19% as of end December, inching up from 12.18% as of end September.
- **Australia's unemployment rate jumped to 6.0% in January (December: 5.8%) - the highest level in more than a decade.** The jobless rate has been climbing up as the once-booming mining sector suffers from lower commodity prices in the past year. The losses have also started to spread to manufacturing sectors like autos, amid fierce competition and strong Australian dollar. Toyota Motor Corp announced on Monday (10 February) that it would close car production in Australia in 2017, resulting in at least 2,500 jobs lost.
- **Japan's current account deficit widened to JPY 638.6bil in November, from JPY 592.8bil in November,** casting a shadow Japan's economic recovery as policy makers worry about the ability of Japan to service its high debt. The shortfall was largely due to weakening of yen and increased demand for foreign energy due to closure of domestic nuclear plants.
- **Japan's core machinery orders, an indicator of future capital expenditure, slumped 15.7% m/m in December, the biggest m/m decline since 1992.** This signals possible slowdown in business investment growth and weighs on Japan's economic recovery.

## Week Ahead (17<sup>th</sup>-21<sup>st</sup>February)

Economic Indicators						
Date	Time	Indicators	Month	Actual	Market Forecast	Previous
14 Feb	0930	CN PPI y/y	Jan	-1.6	-1.6	-1.4%
	0930	CN CPI y/y	Jan	2.5	2.4	2.5%
	1800	EZ GDP q/q sa	4Q A	0.3	0.2	0.1%
	1800	EZ GDP y/y sa	4Q A	0.5	0.4	-0.3%
	2130	US Import Price Index m/m	Jan	0.1	-0.1	0.2%
	2130	US Import Price Index y/y	Jan	-1.5	-1.8	-1.1%
	2130	US Industrial Production m/m	Jan	-0.3	0.2	0.3%
	2215	US Capacity Utilization	Jan	78.5	79.3	78.9%
	2255	US Univ of Michigan Confidence	Feb P	81.2	80.2	81.2%
17 Feb	0750	JP GDP q/q sa	4Q P	0.3	0.7	0.3%
	0750	JP GDP Annualized q/q sa	4Q P	1.0	2.8	1.1%
	0830	SG NODX y/y	Jan		-1.2	6.0%
	0830	SG NODX m/m sa	Jan		-0.8	9.2%
	1030	TH GDP y/y	4Q		0.3	2.7%
	1030	TH GDP q/q sa	4Q		0.4	1.3%
	1030	TH GDP Annual y/y	2013		2.8	6.4%
18 Feb	1600	TW GDP y/y	4Q F		2.90	2.92%
	1630	HK Unemployment Rate sa	Jan		3.2	3.2%
	1730	UK RPI m/m	Jan		-0.4	0.5%
	1730	UK RPI y/y	Jan		2.7	2.7%
	2130	US Empire Manufacturing	Feb		9.00	12.51
	2200	US Net Long-term TIC Flows USD	Dec		30.0	29.3bn
	2200	US Total Net TIC Flows USD	Dec		-	-16.6bn
	2300	US NAHB Housing Market Index	Feb		56	56
19 Feb	1230	JP All Industry Activity Index m/m	Dec		-	0.3%
	1700	MY CPI y/y	Jan		-	3.2%
	1730	UK ILO Unemployment Rate 3Mths	Dec		-	7.1%
	2000	US MBA Mortgage Applications	Feb 14		-	-
	2130	US Housing Starts	Jan		943	999k
	2130	US Building Permits	Jan		973	991k
	2130	US PPI m/m	Jan		-	0.4%
	2130	US PPI Ex Food and Energy m/m	Jan		-	0.3%
	2300	US MBA Mortgage Foreclosures	4Q		-	3.08%
20 Feb	0750	JP Trade Balance JPY	Jan		-1302.1	1304.2bn
	0750	JP Exports y/y	Jan		-	15.3
	0750	JP Imports y/y	Jan		-	24.7
	0945	CN HSBC/Markit Flash Mfg PMI	Feb		-	49.5
	1600	TW Exports Orders y/y	Jan		-	7.4%
	1620	TW BoP Current Account Balance USD	4Q		-	14914mn

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