



Review for week ending 22 Aug 2014

Equities

- **US equities broke a four day winning streak on Friday after a disappointing speech from Fed Chair Janet Yellen and after Ukrainian officials said Russia had launched a “direct invasion”.** However, the Dow Jones Industrial Average and S&P 500 managed to post weekly gain of 2.03% and 1.71% respectively.
- **European equities declined overnight on Friday, due to the Federal Reserve Chair Janet Yellen’s underscoring of the persistence of labor-market slack in the US economy and the continued rising tensions in Ukraine.** The Euro Stoxx 50 was up 2.14% for the week.
- **Asian stocks rose on the week, after positive economic data reports from the US.** Nikkei 225 was the biggest winner, up 1.44% for the week.

Fixed Income

- **US Treasuries pared early losses on Friday as renewed geopolitical tensions overshadowed Federal Reserve Chair Janet Yellen’s comments on the labor market.** The 2Y note yield rose 2.5bps to 0.492% while the 10Y note yield shed 0.4bps to 2.402% overnight on Friday.

Commodities

- **Gold futures declined 1.99% for the week to 1,278.60.**
- **WTI crude oil futures and Brent futures declined on Friday amid concerns about US demand.** On the week, WTI crude oil and Brent futures were down 3.80% and 1.20% respectively.

Foreign Exchange Rates	Close	1W Change (%)	YTD Change (%)
AUD	0.9317	-0.05%	4.85%
CAD	1.0943	0.42%	2.81%
CHF	0.9138	1.24%	2.49%
EUR	1.3242	-1.19%	-1.19%
GBP	1.6572	-0.72%	0.04%
JPY	103.9500	1.55%	-1.24%
NZD	0.8409	-0.90%	-0.90%
SGD	1.2491	0.29%	-1.10%

Key Global Indices	Close	1W Change (%)	YTD Change (%)
Dow Jones Ind Avg	17,001.22	2.03%	2.56%
S&P 500	1,988.40	1.71%	7.58%
NASDAQ Composite	4,538.55	1.65%	8.67%
Euro Stoxx 50	3,098.50	2.14%	-0.34%
FTSE 100	6,775.25	1.29%	0.39%
DAX	9,339.17	2.71%	-2.23%
Hang Seng Index	25,112.23	0.63%	7.75%
Straits Times Index	3,325.50	0.32%	4.99%
Nikkei 225	15,539.19	1.44%	-4.62%
All Ordinaries	5,645.62	1.42%	5.48%

Commodities	Close	1W Change (%)	YTD Change (%)
WTI Crude Futures	93.65	-3.80%	-4.85%
Brent Crude Futures	102.29	-1.20%	-7.68%
Gold Futures	1,278.60	-1.99%	6.35%
Reuters CRB Index	288.67	-0.43%	3.03%

Bond Yields	Close	1W Change	YTD Change
2Y US Treasury	0.492	+0.085	N/A
10Y US Treasury	2.402	+0.062	N/A
10Y JGB	0.513	+0.012	N/A
10Y Bund	0.98	+0.03	N/A
10Y Gilt	2.405	+0.079	N/A

Rates based on last trading day.

Source: Bloomberg

US

- The July FOMC meeting minutes revealed that there was internal debate within the Committee. The officials debated on whether to begin raising interest rates sooner than expected. Most of them were in agreement that more data was required to move up the schedule of the rate hikes. Their concerns were mainly the Q1 contraction of the economy, the turmoil in Ukraine and the Middle East, the continued weakness in the housing sector and the slow-growing household incomes.
- The July consumer price index rose at the slowest pace since February, creeping up by a seasonally adjusted 0.1% m/m, in line with expectations, due to a drop in energy costs. The year-on-year headline index came down slightly from June's annual increase of 2.1%, rising 2.0% y/y. Core inflation rose 0.1% m/m (mkt est: 0.2% m/m), with annual core inflation unchanged at 1.9% y/y.
- Housing starts jumped 15.7% (mkt est: +8.1%) to an annual rate of 1.093mln units (mkt est: 965k). This number marks the highest level of construction since November, and this was mainly due to a notable rise in new apartments.
- The National Association of Home Builders builder confidence index showed that optimism rose in August, with the index in the market for single-family homes increasing two points to 55 (mkt est: 53), which was a seven month high.
- The National Association of Realtors reported that sales of existing homes increased 2.4% m/m to a seasonally adjusted annual rate of 5.15mln (mkt est: 5.02mln). This increase in July marks the fourth consecutive month of increment and the highest level in ten months.
- Markit's "flash" purchasing managers' index expanded from the final July reading of 55.8 to 58.0 (mkt est: 55.7), making it the highest reading since April 2010. Export readings rebounded and new orders increased at a sharp pace, with production levels and employment also showing improvement.
- The Conference Board's Leading Economic Index came in better than expected for July, increasing 0.9% (mkt est: +0.6%) after an upwardly revised 0.6% rise in June (prev: +0.3%).
- During the Jackson Hole, Federal Reserve Chair Janet Yellen said that the economy is getting closer to the objectives of the central bank. She reiterated that although the labor market has shown some improvement over the past year, it has still "yet to recover" from the Great Recession. She again highlighted that "the decline in the unemployment rate over this period somewhat overstates the improvement in overall labor market conditions."

Europe

- The Bank of England's Aug 7th central bank meeting minutes showed that two officials had unexpectedly voted to tighten policy, with McCaffery and Weale voting to increase the base rate by 25bps. The minutes said that "these members noted that the continuing rapid fall in unemployment alongside survey evidence of tightening in the labor market created a prospect that wage growth would pick up."
- The Euro zone's current account surplus decreased in June, below May's €19.8bln, with June's surplus at €13.1bln in adjusted terms.
- The manufacturer's PMI for the Eurozone fell from 51.8 in July to 50.8 (mkt est: 51.3), with the composite PMI also dropping from 53.8 to 53.4 (mkt est: 52.8), its fourth decline in six months, although the German and French PMIs were stronger than expected. In Germany, the services and manufacturing PMIs reported modest declines but stayed at solid levels. The lift in French PMI was due to the services sector, while there was a further drop in manufacturing PMI.

- UK's annual rate of inflation fell from June's 1.9% to 1.6%, due to a big fall in prices for clothes and footwear. Core inflation also eased from 2.0% y/y to 1.8% y/y.
- In its monthly bulletin, Germany's Bundesbank struck a dovish tone and warned that the outlook for Europe's largest economy may be weighed by the global tensions such as the crisis in Ukraine. They said that "a flurry of unfavorable news reports relating to the international environment have dampened Germany's economic outlook in the second half of the year."
- Markit's flash composite Purchasing Managers' Index for Germany fell from July's 55.7 reading to 54.9 in August (mkt est: 54.6).
- European Central Bank President Mario Draghi continued his strategy after the close of the Continental trade, signaling a departure from the austerity focused mind-set that the European economic policy has taken since the financial crisis. He mentioned that the ECB is willing to take more stimulus measures if necessary to keep low rates of inflation from becoming embedded in expectations of future price growth.

Elsewhere

- In his semi-annual testimony to the House of Representatives Standing Committee on Economics, RBA Governor Stevens again mentioned the recent decrease in lending rates, and reiterated that the Bank expects the AUD to fall and the bar for intervention remains high given the cost and uncertainty of success.
- RBA Board's August meeting minutes reiterated that the Bank remains comfortably on hold, with members noting that there had been a "noticeable easing in financial conditions" since the start of 2014, pointing out the fall in lending rates.
- China's HSBC manufacturing PMI for August came in weaker than expected, with the headline index falling from July's 51.7 to 50.3 (mkt est: 51.3), with all major subcomponents declining.

Week Ahead (25th - 29th August)

Market attention on the US will be on the 2nd reading for the US 2Q-2014 GDP on Thursday (28 Aug). The most important European data will be the prelim August CPI inflation data from the Euro zone on 29 Aug. Focus for the Singapore data docket comprises of the July CPI inflation on Monday (25 Aug) and July industrial production that is due on Tuesday (26 Aug).

Economic Indicators						
Date	Time	Indicators	Month	Actual	Market Forecast	Previous
22 Aug	0830	TW Unemployment Rate	Jul	3.95	3.96	3.97%
	1530	TH Foreign Reserves USD	Aug 15	169.0	-	168.9bn
25 Aug	1300	SG CPI m/m nsa	Jul		0.2	-0.7%
	1300	SG CPI y/y	Jul		1.9	1.8%
	1600	TW Industrial Production y/y	Jul		4.85	8.63%
	1630	HK Exports y/y	Jul		5.3	11.4%
	1630	HK Imports y/y	Jul		5.6	7.6%
	1630	HK Trade Balance	Jul		-4.40	-43.1bn
	2030	US Chicago Fed Nat Activity Index	Jul		0.20	0.12
	2145	US Markit US Composite PMI	Aug P		-	60.6
	2145	US Markit US Services PMI	Aug P		58.0	60.8
	2200	US New Home Sales	Jul		429	406k
	2230	US Dallas Fed Manf Activity	Aug		12.8	12.7
26 Aug	1300	SG Industrial Production m/m sa	Jul		2.5	-0.1%
	1300	SG Industrial Production y/y	Jul		3.6	0.4%
	2030	US Durable Goods Orders	Jul		7.1	1.7%
	2200	US Consumer Confidence Index	Aug		89.5	90.9
	2200	US Richmond Fed Manufact Index	Aug		6	7
27 Aug	1900	US MBA Mortgage Applications	Aug 22		-	1.4%
28 Aug	0700	SK BoP Current Account Balance USD	Jul		-	7919.7mn
	1000	PH GDP y/y	2Q		6.2	5.7%
	1000	PH GDP q/q sa	2Q		-	1.2%
	2030	US GDP Annualized q/q	2Q S		3.9	4.0%
	2030	US Initial Jobless Claims	Aug 23		-	-
	2030	US Personal Consumption	2Q S		-	2.5%
	2030	US Continuing Claims	Aug 16		-	-
	2030	US GDP Price Index	2Q S		2.0	2.0%
	2030	US Core PCE q/q	2Q S		-	2.0%
29 Aug	2200	US Pending Home Sales m/m	Jul		0.3	-1.1%
	0700	SK Industrial Production y/y	Jul		1.5	0.6%
	0705	UK GfK Consumer Confidence	Aug		-	2
	1530	TH Exports USD	Jul		-	19527mn
	1530	TH Imports USD	Jul		-	15664mn
	1530	TH Trade Balance USD	Jul		-	3863mn
	1530	TH BoP Current Account Balance USD	Jul		-	1838mn
	1530	TH Foreign Reserves	Aug 22		-	-
	2000	IN GDP y/y	2Q		-	4.6%
	2030	US Personal Income	Jul		0.3	0.4%
	2030	US Personal Spending	Jul		0.1	0.4%
	2030	US PCE Core m/m	Jul		0.1	0.1%
	2145	US Chicago Purchasing Manager	Aug		56.0	52.6
	2155	US Univ of Michigan Confidence	Aug F		80.3	79.2

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