



Review for week ending 23 May 2014

### Equities

- **US stocks closed higher on Friday, on the back of better than expected new home sales report for April.** The Dow Jones Industrial Average added 0.4% to 16,606.27 and the S&P 500 closed above 1,900 for the first time ever, at 1,900.53.
- **European stocks closed higher on Friday, advancing for a sixth week, in cautious trade despite a softer-than-expected reading on German consumer confidence.** The Euro Stoxx 50 was up 0.96% for the week.
- **Asian stocks rose for a second straight week, as US and Chinese manufacturing beat estimates, and also spurred by minutes that showed Federal Reserve policy makers see a muted risk of inflation from continued US stimulus.** Hang Seng was up 1.11%, STI up 0.47% and Nikkei 225 up 2.59% for the week.

### Fixed Income

- **After better than expected US new home sales data for April, US Treasuries rallied at the long end on Friday night.** The 2-year yield remained at 0.34% and the 10-year yield dropped 2bps to 2.53%.

### Commodities

- **Gold futures fell on Friday as signs of a recovery in the US economy curbed demand.**
- **WTI futures climbed 0.5% to a five-week high to USD104.35 per barrel as US stockpiles fell.**

Foreign Exchange Rates	Close	1W Change (%)	YTD Change (%)
AUD	0.9231	-1.38%	3.88%
CAD	1.0861	0.00%	2.04%
CHF	0.8958	0.35%	0.47%
EUR	1.3629	-0.47%	-0.47%
GBP	1.6832	0.12%	1.61%
JPY	101.9700	0.46%	-3.12%
NZD	0.8550	-0.89%	-0.89%
SGD	1.2534	0.16%	-0.76%

Key Global Indices	Close	1W Change (%)	YTD Change (%)
Dow Jones Ind Avg	16,606.27	0.70%	0.18%
S&P 500	1,900.53	1.21%	2.82%
NASDAQ Composite	4,185.81	2.33%	0.22%
Euro Stoxx 50	3,203.28	0.96%	3.03%
FTSE 100	6,815.75	-0.58%	0.99%
DAX	9,768.01	1.44%	2.26%
Hang Seng Index	22,965.86	1.11%	-1.46%
Straits Times Index	3,278.02	0.47%	3.49%
Nikkei 225	14,462.17	2.59%	-11.23%
All Ordinaries	5,492.79	0.25%	2.63%

Commodities	Close	1W Change (%)	YTD Change (%)
WTI Crude Futures	104.35	2.28%	6.03%
Brent Crude Futures	110.54	0.72%	-0.23%
Gold Futures	1,291.70	-0.13%	7.44%
Reuters CRB Index	308.26	0.76%	10.03%

Bond Yields	Close	1W Change (%)	YTD Change (%)
2Y US Treasury	0.342	-4.60%	-9.87%
10Y US Treasury	2.532	0.35%	-16.39%
10Y JGB	0.587	N/A	N/A
10Y Bund	1.330	N/A	N/A
10Y Gilt	2.564	N/A	N/A

Rates based on last trading day.

Source: Bloomberg

## US

- The minutes from the most recent US FOMC meeting showed officials concluding that the outlook for a gradually improving economy had not much change in the previous weeks, and as such warranted no change in policy. It also revealed that although there was some discussion about the likely path of eventual tightening, they also repeated that such tightening is not imminent. Members agreed that “early communication around their exit strategy would enhance the clarity and credibility of monetary policy.”
- The Markit manufacturing PMI came in better than expected, up from 55.4 in April to 56.2 in May, and the Kansas Fed manufacturing activity index rose from 7 to 10 in May.
- A key measure of the US home sales rose for the first time this year in April. Existing home sales came in slightly below market expectations, increasing 1.3% in April (mkt est: 2.2% m/m) to a seasonally adjusted annual rate of 4.65mln. Although sales are still running below 2013 levels, the data suggests that the US housing market is continuing to stabilize.
- The Conference Board said its leading index increased 0.4% (mkt est: +0.4%) from an upwardly revised 1% in March (Prev: +0.8%).
- The Chicago Federal Reserve’s National Activity Index dropped from +0.34 in March to -0.32 in April. However, the index’s three month moving average climbed from +0.04 to +0.19. The headline number was mostly weighed by production-related indicators, which dropped from +0.27 to -0.37.
- US April new home sales came in better than expected, climbing 6.4% from March to a seasonally adjusted annual rate of 433k to partly unwind an upwardly revised rate of 407k in March.

## Europe

- ECB executive board member Yves Mersch gave a clear signal that the central bank will further loosen monetary policy at their next policy meeting on June 5<sup>th</sup>. He said that the bank has “tools at hand to further monetary policy” without specifying what steps the ECB may take.
- Euro zone consumer confidence improved from -8.6 in April to -7.1, its highest level since October 2007.
- Markit’s composite Purchasing Managers Index for the Euro Zone fell from 54.0 in April to 53.9, in line with market’s expectations. This shows that business activity in the Euro Zone slowed slightly in May.
- Markit’s Composite PMI for Germany came in unchanged at 56.1. Manufacturing PMI fell from 54.1 in April to a six month low of 52.9, while services PMI rose from 54.7 in April to 56.4, a three-year high.
- The Bundesbank said that the German economy is expected to continue its growth, barring unexpected external events, but that they will grow at a slower pace in coming months on the back of domestic factors. They warned that “the potential for external disruptions has recently increased significantly owing to the greater perception of economic risks in a number of emerging markets and the considerable geopolitical uncertainties in Eastern Europe.”
- German business confidence dropped more than expected for the month of May, with the Ifo Index falling from April’s reading of 111.2 to 110.4 (mkt est: 111.0). The current conditions indicator dipped from 115.3 to 114.8, while the expectations reading slipped from 107.3 to 106.2.
- German GDP grew 0.8% q/q and 2.3% y/y in Q1, which matched the initial estimate made last week. This is Germany’s strongest quarterly output growth in three years.

- The Bank of England released their Minutes from the May policy meeting, but provided little new insight into the bank's thoughts on monetary policy, merely highlighting that the debate around policy is becoming "more balanced". The minutes revealed that there was a unanimous vote to leave rates and gilt purchases on hold, but revealed a "variety of views on the appropriate path of monetary policy" within the Monetary Policy Committee.
- UK retail sales report came in stronger than expected, with headline real retail sales rising 1.3% m/m and 6.9% y/y (mkt est: +0.4% m/m and 5.1% y/y) to the strongest rate of annual growth since 2004.
- UK April inflation came in stronger than expected, rising from 1.6% in March to 1.8% (mkt est: +1.7%). Headline inflation came in at 0.4% m/m and 1.8% y/y, while core inflation was 2.0% y/y. The Office for National Statistics said that increased fares for air and sea travel helped to lift consumer prices last month, which suggests that the higher than expected inflation was partly due to the timing of Easter.
- Bank of Finland Governor Erkki Liikanen reiterated some of the alternative stimulus measures the ECB could announce at its June policy meeting, saying that if money market rates rise, policy options include adjusting the rate corridor, cutting rates and/or conducting QE.
- European parliamentary elections were held over the weekend, with exit polls suggesting protest parties made strong gains across a number of nations. The most dramatic result was in France where Marine Le Pen's anti-euro and anti-immigration National Front Party placed first with at least 25% of the vote according to exit polls. Nicolas Sarkozy's party was second and the ruling Socialist Party was a distant third.

## Elsewhere

- Credit rating agency Standard & Poor's warned "that unless substantial cuts are made this year and in the following years to the deficit it could be forced to reconsider Australia's AAA credit rating". S&P's concern is the risk that the Senate could vote against much of the planned savings from the Australian budget, which forms an important component of the improvement in the deficit over coming years.
- The ANZ-Roy Morgan consumer confidence fell a further 3.2% to 100.4 in the week ending 18 May, after the 2014-15 Commonwealth Budget was handed down.
- Growth in Australia's wage price index came in as expected, unchanged at 0.7% q/q and 2.6% y/y in Q1 2014. The annual pace of wage inflation has stabilized at 2.6% y/y for the past three quarters, and remains at the weakest pace since the series commenced in 1997.
- After a two day meeting, the Bank of Japan left its policy unchanged; reiterating that it will continue a quantitative easing program that expands its monetary base at a pace of Y60tn-70tn a year.
- Chinese Premier Li Keqiang said that although the country's economy has stabilized, it still faces great downward pressure, according to a state radio report. China's economy still faces "relatively big" downward pressures and a timely policy fine-tuning is needed, as quoted from the Premier by state radio.

## Week Ahead (26<sup>th</sup> May – 30<sup>th</sup> May)

This is a holiday shortened week for the US and UK. US markets will be closed today, 26 May for US Memorial Day while the UK will also be closed for a Spring Bank holiday on the same day. The week ahead, data releases will be relatively thin in Asia and attention will likely be focused on developments in Thailand after the military coup overthrew the civilian government last Thursday. Key reports to watch in Asia will be Bank of Japan's meeting minutes and Singapore's industrial production data for April. There will be the release of Japan's CPI, industrial production and jobless rate on Friday. In addition, US Defense Sec Hagel and Japanese PM Abe will be in Singapore for the Shangri-La Dialogue 2014 amidst regional geopolitical tension.

Economic Indicators						
Date	Time	Indicators	Month	Actual	Market Forecast	Previous
23 May	1300	SG CPI m/m nsa	Apr	-0.2	-0.1	0.3%
	1300	SG CPI y/y	Apr	2.5	2.6	1.2%
	1530	TH Foreign Reserves USD	May 16	168.3	-	168.2bn
	1700	TW GDP y/y	1Q F	3.14	3.00	3.04%
	2200	US New Home Sales	Apr	433	425	407k
	2200	US New Home Sales m/m	Apr	6.4	10.7	-6.9%
26 May	1300	SG Industrial Production m/m sa	Apr		-4.5	6.1%
	1300	SG Industrial Production y/y	Apr		4.7	12.1%
27 May	0900	PH Trade Balance USD	Mar		-200	-66mn
	0900	PH Imports	Mar		-	4720.6mn
	1600	TW Coincident Index m/m	Apr		-	0.08%
	1600	TW Leading Index m/m	Apr		-	0.22%
	1630	HK Export y/y	Apr		4.5	3.4%
	1630	HK Imports y/y	Apr		5.0	3.2%
	1630	HK Trade Balance	Apr		-46.0	-50.4bn
	2030	US Durable Goods Orders	Apr		-0.7	2.5%
	2100	US S&P/CaseShiller Home Price Index nsa	Mar		166.20	165.35
	2145	US Markit US Composite PMI	May P		-	55.6
	2145	US Markit US Services PMI	May P		54.5	55.0
	2200	US Consumer Confidence Index	May		83.0	82.3
	2200	US Richmond Fed Manufact. Index	May		5	7
28 May	1700	EZ Economic Confidence	May		-	102.0
	1700	EZ Consumer Confidence	May F		-	-
	1900	US MBA Mortgage Applications	May 23		-	-
29 May	0700	SK BoP Current Account Balance USD	Apr		-	7346.6mn
	1000	PH GDP y/y	1Q		-	6.5%
	1000	PH GDP q/q sa	1Q		-	1.5%
	2030	US GDP Annualized q/q	1Q S		-0.5	0.1%
	2030	US Personal Consumption	1Q S		-	3.0%
	2030	US GDP Price Index	1Q S		1.3	1.3%
	2030	US Core PCE q/q	1Q S		-	1.3%
	2030	US Initial Jobless Claims	May 24		-	-
	2030	US Continuing Claims	May 17		-	-
	2200	US Pending Home Sales y/y	Apr		-	-7.4%

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