



Review for week ending 27 June 2014

Equities

- **U.S. equities saw a late afternoon rally on Friday led by technology and small companies but ended the week lower, on comments from St Louis Fed President James Bullard on Thursday that interest rates could rise sooner than later.** The Dow Jones Industrial Average and S&P 500 slipped 0.56% and 0.10% respectively for the week, while the Nasdaq rose 0.68%.
- **European equities were also lower for the week, amid lackluster economic data from the Euro zone.** The Euro Stoxx 50 slumped 2.26% for the week.
- **Asia equities ended the week mixed with Nikkei 225 snapping a five-week winning streak.** The Nikkei 225 was down 1.66% for the week, hit by the stronger yen.

Fixed Income

- **US Treasury prices were higher for the week, as the US GDP contracted more than expected in 1Q2014 and inflation remains subdued.** The 10-year US Treasury yield declined 7.1bps for the week.

Commodities

- **Gold futures continue to advance, logging its fourth consecutive weekly gain.** However, concerns over loans in China tied to falsified gold deals could increase volatility in the near-term.
- **WTI crude oil futures settled 1.42% lower for the week,** as worries over the fate of Iraq's oil exports fade.

Foreign Exchange Rates	Close	1W Change (%)	YTD Change (%)
AUD	0.9427	0.42%	6.09%
CAD	1.0666	-0.86%	0.21%
CHF	0.8908	-0.48%	-0.09%
EUR	1.3649	0.36%	0.36%
GBP	1.7035	0.13%	2.83%
JPY	101.4200	-0.64%	-3.64%
NZD	0.8777	0.91%	0.91%
SGD	1.2496	0.05%	-1.06%

Key Global Indices	Close	1W Change (%)	YTD Change (%)
Dow Jones Ind Avg	16,851.84	-0.56%	1.66%
S&P 500	1,960.96	-0.10%	6.09%
NASDAQ Composite	4,397.93	0.68%	5.30%
Euro Stoxx 50	3,227.85	-2.26%	3.82%
FTSE 100	6,757.77	-0.99%	0.13%
DAX	9,815.17	-1.72%	2.75%
Hang Seng Index	23,221.52	0.12%	-0.36%
Straits Times Index	3,271.05	0.38%	3.27%
Nikkei 225	15,095.00	-1.66%	-7.34%
All Ordinaries	5,445.06	0.47%	1.73%

Commodities	Close	1W Change (%)	YTD Change (%)
WTI Crude Futures	105.74	-1.42%	7.44%
Brent Crude Futures	113.30	-1.32%	2.26%
Gold Futures	1,320.00	0.29%	9.79%
Reuters CRB Index	310.82	-0.67%	10.94%

Bond Yields	Close	1W Change	YTD Change
2Y US Treasury	0.461	+0.005	N/A
10Y US Treasury	2.534	-0.071	N/A
10Y JGB	0.565	-0.025	N/A
10Y Bund	1.262	-0.081	N/A
10Y Gilt	2.64	-0.120	N/A

Rates based on last trading day.

Source: Bloomberg

US

- US manufacturing data continue to point to further improvement. The preliminary Markit manufacturing PMI for June came in at 57.5, higher than 56.4 in May and above market estimate of 56. The June reading was also the highest since May 2010. The rise in PMI was broad based, across output, new orders, employment and prices components.
- Durable goods orders fell 1.0% m/m in May, worse than expected and the first decline in four months. The decline, however, was a result of volatile aircraft orders, and underlying readings showed a pick-up in business spending.
- Recent housing data suggest that momentum is improving in the housing market. US existing home sales rose 4.9% m/m, much higher than market estimate of 1.9% m/m. With the rise, US existing home sales amounted to 4.89m – the highest reading in six months. New home sales rose 18.6% m/m in May to an annual rate of 504k (April: 425k).
- The third reading of the 1Q2014 GDP was downwardly revised to 2.9% q/q annualized decline, worse than the 1.8% contraction which market had estimated and the advance and second estimate of 0.1% and -1.0% respectively. The latest revision came as a result of weaker pace of healthcare spending than previous estimate, which in turn caused consumer spending to be lower than expected. Trade was also posed a bigger drag in the economy than previously estimated, with exports falling 8.9% versus previous estimate of 6%.
- The Conference Board's consumer confidence index rose to the highest level in six years, rising to 85.2 in June from 82.2 in May. While the index still remains below its long-term historical average, the index has seen steady improvement for several years.

Europe

- Preliminary Eurozone PMI data came in weaker than expected for June as the composite index eased, with falls in both manufacturing and services. In France, the June composite PMI slipped to 48.0 (May: 49.3, market estimate: 49.3), dragged by third consecutive drop in manufacturing PMI. In Germany, June composite PMI dropped to 54.2 (May: 55.6, market estimate: 55.5) though the manufacturing component rose marginally.
- Consistent with the weaker preliminary PMI data, the German June IFO survey posted a modest decline, falling to 109.7 (market estimates: 110.3). The decline was largely due to lower expectations as current conditions remained unchanged.
- German preliminary harmonized inflation rose to 1.0% m/m in June (market estimate: +0.7% m/m), from 0.6% m/m in May. Services inflation rose, while energy prices slipped and food prices remained fairly unchanged.
- French GDP was flat in 1Q2014 compared to the previous quarter, which saw 0.2% expansion. On an annual basis, GDP growth was revised down from 0.8% to 0.7% in 1Q2014. The deterioration in the first quarter was broad-based, with private consumption contracting 0.5% q/q (Q42013: +0.2% q/q), pace of government spending decelerating to 0.4% (Q42013: 0.5%) and fixed income investment plummeting 0.8% (Q42013: -0.2%).
- In his speech before the Parliamentary Treasury Committee, the Bank of England ("BOE") Governor Mark Carney appeared to play down his earlier rate hike message, noting that developments on the wage front suggested that there has been more spare capacity in the labour market than initial thought and that the exact timing of any moves will be data driven or dependent on progress of the economy.
- In the bi-annual UK Financial Stability Report, the central bank unveiled new measures to limit mortgage lending, most notably that banks must cap their share of the riskiest sort of loans. Starting later this year,

no more than 15% of a bank's new loans can be worth more than 4.5 times a borrower's income, and these mortgages will also be excluded from government subsidy programs.

Elsewhere

- Preliminary HSBC China manufacturing PMI for June rose to 50.8, higher than 49.4 in May and market estimate of 49.7. This is the first time the index is above 50 since December 2013, with broad-based improvement in domestic orders and external demand.
- Japan's Prime Minister Shinzo Abe unveiled a package of reforms on 24 June aimed at boosting the country's long-term economic growth. Among the measures outlined include a future reduction in Japan's effective corporate tax rate (currently among the highest in the world) to below 30% over the next few years, commitment to steer the US\$1.26 tril Government Pension Investment Fund towards more equity investments, boost the role of working women and increasing the number of foreign workers.
- Japan's retail sales rose 4.6% m/m in May, a pick up from the revised 13.6% m/m drop in April after the consumption tax hike from 5% to 8% on 1 April. The improvement in sales figures suggests that the increase in consumption tax has not derailed Prime Minister Shinzo Abe's economic revival drive.
- Japan's core consumer price index, which includes oil but excludes volatile prices of fresh food, climbed at an annual rate of 3.4% in May. Excluding the sales tax hike, core consumer inflation rose at an annual rate of 1.4%, slightly lower the 1.5% annual increase in May, primarily due to a rise in electricity bills last year and fading effects of the weak yen.
- Japan's unemployment rate fell to 3.5% in May – the lowest since 1997, while the availability of jobs (jobs-to-applications ratio) rose to 1.09 – the highest level since 1992. The tighter job market is an encouraging sign for wage growth which is in turn supportive of consumer spending.
- Labour market conditions in Australia shows signs of softening recently. Job vacancies, as measured by the Department of Employment dipped 3.6% m/m in May, the largest m/m decline since June last year and fourth consecutive m/m decline.
- Singapore's inflation rose 2.7% y/y in May, the highest since March 2013, largely due to the low base in car prices a year ago following the implementation of the car financing measures. Private road transport costs rose 8.1% y/y in May, a significant increase from 5.7% y/y in April. Inflation in other major categories of the consumption basket moderated slightly – services inflation rose 2.5% y/y (April: 2.7% y/y), accommodation costs increased 0.9% y/y (April: 1.1% y/y) while food prices climbed 3.0% y/y (April: 3.1% y/y). Core inflation, which excludes housing and private road transport, moderated slightly to 2.2% y/y, from 2.3% y/y in April.
- Singapore's industrial production slipped into contraction in May, posting 2.5% decline y/y. This was the first contraction since June 2013 and was mainly driven by weakness in the electronics and biomedical segments. Electronics manufacturing continued its second consecutive month of contraction (-7.5% y/y) in May as semiconductor output declined 6.4% y/y. The biomedical manufacturing cluster contracted 9.2% y/y, from the previous four months of expansion that averaged 17% y/y.

Week Ahead (30th June-4th July)

The week ahead will be a short week for the US as the US celebrates one of its most important holidays, US Independence Day, on 4 July (Fri). The US June jobs report on 3 July (Thur) will be in the spotlight though there are also several key US economic data releases this week including the June ISM Manufacturing survey and final June Markit US PMI on 1 July (Tue) and June New York ISM survey and May factory orders on 2 July (Wed).

There are two major central bank monetary policy decisions this week – the Reserve Bank of Australia on 1 July (Tue) and the European Central Bank on 3 July (Thursday).

In the Euro zone, the most important data should be the Euro zone preliminary June CPI inflation data due on 30 June (Mon).

Economic Indicators						
Date	Time	Indicators	Month	Actual	Market Forecast	Previous
27 Jun	0700	SK BoP Current Account Balance USD	May	9300.3	-	7124.7mn
	0705	UK GfK Consumer Confidence	Jun	1	2	0
	0730	JP Overall Household Spending y/y	May	-8.0	-2.3	-4.6%
	0730	JP Natl CPI y/y	May	3.7	3.7	3.4%
	0730	JP Natl CPI Ex Fresh Food y/y	May	3.4	3.4	3.2%
	0730	JP Natl CPI Ex Food Food, Energy y/y	May	2.2	2.2	2.3%
	1530	TH Foreign Reserves USD	Jun 20	167.8	-	167.1bn
	1600	TW Coincident Index m/m	May	0.23	-	0.26%
	1600	TW Leading Index m/m	May	-0.04	-	0.02%
	1630	UK GDP q/q	1Q F	0.8	0.8	0.8%
	1630	UK GDP y/y	1Q F	3.0	3.1	3.1%
	1630	UK Current Account Balance	1Q	-18.5	-17.3	-23.5bn
	1700	EZ Economic Confidence	Jun	102.0	103.0	102.6
	1700	EZ Consumer Confidence	Jun F	-7.5	-	-7.4
	2155	US Univ of Michigan Confidence	Jun F	82.5	82.0	81.2
30 Jun	1530	TH Exports USD	May	-	-	-17092mn
	1530	TH Imports USD	May	-	-	16533mn
	1530	TH Trade Balance USD	May	-	-	559mn
	1530	TH BoP Current Account Balance USD	May	-	-	-643mn
	1530	TH Business Sentiment Index	May	-	-	44.3
	1630	UK Nat Consumer Credit	May	-	0.7	0.7bn
	2145	US Chicago Purchasing Manager	Jun	-	63.0	65.5
	2200	US Pending Home Sales m/m	May	-	1.2	0.4%
	2200	US Pending Home Sales y/y	May	-	-9.6	-9.4%
01 Jul	2230	US Dallas Fed Manf. Activity	Jun	-	10.0	8.0
	0750	JP Tankan Large All Industry Capex	2Q	-	6.0	0.1%
	0800	SK Exports y/y	Jun	-	5.3	-1.0%
	0800	SK Imports y/y	Jun	-	7.5	0.3%
	0800	SK Trade Balance USD	Jun	-	5300	5307mn
	0900	CN Manufacturing PMI	Jun	-	51.0	50.8
	0945	CN HSBC China Manufacturing PMI	Jun F	-	50.8	50.8
	1000	TW HSBC Taiwan Manufacturing PMI	Jun	-	-	52.4
	1200	ID Exports y/y	May	-	-5.44	-3.16%
	1200	ID CPI y/y	Jun	-	6.70	7.32%
	1200	ID CPI Core y/y	Jun	-	4.80	4.82%
	1230	AUD Official Cash Rate	Jul	-	2.50	2.50%
	1600	EZ Markit Eurozone Manufacturing PMI	Jun	-	51.9	51.9
	1630	UK Markit UK PMI Manufacturing sa	Jun	-	56.8	57.0
	2145	US Markit US Manufacturing PMI	Jun F	-	57.5	57.5
	2200	US ISM Manufacturing	Jun	-	55.8	55.4
	2200	US ISM Prices Paid	Jun	-	60.0	60.0
	2200	US Construction Spending m/m	May	-	0.5	0.2%

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