



Review for week ending 21 February 2014

Equities

- **US equities slipped on Friday, spooked by another dismal housing report.** Dow Jones Industrial Average and S&P 500 both edged down 0.19% on Friday, closing the week lower by 0.32% and 0.13% respectively.
- **Europe's benchmark index, Euro Stoxx 50, posted a third week of gains helped by Valeo SA rallying after reporting stronger earnings and BAE Systems PLC and Remy Cointreau SA edging up after broker upgrades.** Euro Stoxx 50 climbed 0.32% on Friday, closing the week 0.4% higher.
- **Asian stocks were mostly higher for the week, led by Japan's Nikkei 225 which surged after the Bank of Japan said it would increase incentives to spur bank lending on Tuesday.** Nikkei 225 posted its best weekly gain in 2014, closing the week 3.9% higher.

Fixed Income

- **US 10-year Treasury yields declined to 2.728% on Friday after homes sales declined in January,** erasing the losses in the week fueled by the Fed's minutes that showed the central bank will continue to cut back on its asset purchasing program.

Commodities

- **Spot gold continued its uptrend, climbing to 1,323.90 on Friday** as violence in Ukraine turned investors to the safe haven precious metal.
- **WTI crude oil futures settled lower on Friday at 102.2 but managed to hold on to 1.89% weekly gain** as cold winter weather in the US bolstered demand for heating fuels in the world's biggest oil consumer.

| Foreign Exchange Rates | Close | 1W Change (%) | YTD Change (%) |
|------------------------|----------|---------------|----------------|
| AUD | 0.8977 | -0.63% | 1.02% |
| CAD | 1.1108 | 1.18% | 4.36% |
| CHF | 0.8877 | -0.54% | -0.44% |
| EUR | 1.3746 | 0.39% | 0.39% |
| GBP | 1.6616 | -0.78% | 0.30% |
| JPY | 102.5100 | 0.70% | -2.60% |
| NZD | 0.8282 | -0.96% | -0.96% |
| SGD | 1.2678 | 0.68% | 0.38% |

| Key Global Indices | Close | 1W Change (%) | YTD Change (%) |
|--------------------|-----------|---------------|----------------|
| Dow Jones Ind | | | |
| Avg | 16,103.30 | -0.32% | -2.86% |
| S&P 500 | 1,836.25 | -0.13% | -0.66% |
| NASDAQ | | | |
| Composite | 4,263.41 | 0.46% | 2.08% |
| Euro Stoxx 50 | 3,131.67 | 0.40% | 0.73% |
| FTSE 100 | 6,838.06 | 2.62% | 1.32% |
| DAX | 9,656.95 | -0.06% | 1.10% |
| Hang Seng Index | 22,568.24 | 1.21% | -3.17% |
| Straits Times | | | |
| Index | 3,099.93 | 2.01% | -2.13% |
| Nikkei 225 | 14,865.67 | 3.86% | -8.75% |
| All Ordinaries | 5,438.70 | 1.54% | 1.62% |

| Commodities | Close | 1W Change (%) | YTD Change (%) |
|--------------|----------|---------------|----------------|
| WTI Crude | | | |
| Futures | 102.20 | 1.89% | 3.84% |
| Brent Crude | | | |
| Futures | 109.85 | 0.71% | -0.86% |
| Gold Futures | 1,323.90 | 0.37% | 10.11% |
| Reuters CRB | | | |
| Index | 301.58 | 2.84% | 7.64% |

| Bond Yields | Close | 1W Change (%) | YTD Change (%) |
|-----------------|-------|---------------|----------------|
| 2Y US Treasury | 0.314 | 1.13% | -17.29% |
| 10Y US Treasury | 2.731 | -0.43% | -9.81% |
| 10Y JGB | 0.592 | N/A | N/A |
| 10Y Bund | 1.662 | N/A | N/A |
| 10Y Gilt | 2.781 | N/A | N/A |

Rates based on last trading day.
Source: Bloomberg

US

- **The US Empire State Manufacturing Survey slowed to 4.48 in February, after hitting a 20-month high of 12.51 in January**, suggesting that the manufacturing sector is losing momentum. The reading was below consensus estimate of 9.0.
- **The National Association of Home Builders monthly sentiment index slipped to 46 in February (January: 56)**. Looking at the three index components, current sales conditions was down by 11 points to 51, buyer traffic fell 9 points to 31 and future sales expectations slipped 6 points to 54. A score above 50 indicates that more builders view conditions as good than poor.
- **Housing starts declined 16% in January compared with December, the biggest drop in almost three years, likely attributed to cold weather**. However, building permits for new home construction, which are usually less affected by weather, also hinted at some weakness in the housing market as it slipped 5.4% in January compared to December.
- **Minutes from the Federal Reserve's ("Fed") last meeting indicated that the Fed will continue its plan to reduce its asset-purchasing program unless the economy hits a downturn**.
- **Consumer price inflation in the US rose by 0.1% m/m in January, after climbing 0.2% in December**. On a y/y basis, consumer prices rose at an annualized rate of 1.6% in January, in line with consensus estimates and higher than 1.5% reading in December.

Europe

- **UK's inflation rate, as measured by the consumer prices index, slipped to 1.9% in January. This was the first time in more than four years that the rate fell below Bank of England's ("BOE") 2% target. The UK unemployment rate edged up to 7.2% in the three months to December, compared to 7.1% in the three months to November and higher than consensus estimates of 7.1%**. The BOE had left monetary policy unchanged in February and the latest inflation rate and unemployment rate does bolster BOE's message that there was no need to rush the interest rate hike.
- **UK retail sales slipped by 1.5% m/m in January, the weakest m/m pace since April 2012**. However, it did follow a 2.5% m/m jump in December and on a y/y basis, retail sales remained 4.3% higher in January.
- **German ZEW expectations index slipped to 55.7 points in February (January: 61.7 points), below market expectation of holding steady**. The decline was largely driven by uncertainty due to recent weak economic data in US and concerns over slower growth in China. However, investors' assessment of current condition improved to 50.0 points in February (January: 41.2 points), beating consensus estimate of 44.0 points.
- **Spanish trade deficit contracted by almost half in 2013, buoyed by record-high exports and lower imports due to weak domestic demand**. Compared to 2012, trade deficit fell 48.1% in 2013 to EUR15.9bil.

Elsewhere

- **Japan's GDP grew at an annual rate of 1% in 4Q2013, slower than market expectations of 2.8%**. On a quarterly basis, the Japanese economy expanded 0.3%, lower than 0.7% forecasted by economists. The lackluster growth was due to weaker private consumption and capital spending, as well as lower net exports.

- **The Bank of Japan (“BOJ”) kept its pace of monetary base expansion unchanged at annual JPY 60-70 tril pace but extended two special lending programs** (“Stimulating Bank Lending Facility” and “Growth-Supporting Funding Facility”) by one year and doubled the size of the programs. This was the first adjustment by the BOJ since April 2013.
- **Japan’s trade deficit widened to record high of JPY2.79 tril (US\$27.3 bil) in January, as the 25% jump in imports outweighed the 9.5% rise in exports.**
- **Aggregate financing in China was RMB2.58 tril (approx. US\$425 bil) in January, exceeding RMB1.9 tril median estimate in a Bloomberg survey.** New local-currency lending was RMB1.32 tril, the highest level since 2010. Trust loans, which have been under scrutiny due to default risks, reduced to half of the level a year earlier.
- **On 18 Feb 2014, the People’s Bank of China (“PBOC”) took measures to reduce liquidity from the domestic money market using repos for the first time in eight months.** The Chinese central bank sold RMB 48 bil worth of 14-day repurchase contracts at 3.8%.
- **Singapore’s non-oil domestic exports (“NODX”) fell 3.3% y/y in January, falling short of consensus expectations of a 1.2% y/y contraction and below the 6.0% y/y expansion in December.** On a seasonally-adjusted m/m basis, NODX contracted 5.0% versus 6.3% expansion in December. The weaker NODX was due to decline in electronic NODX that outweighed the rise in non-electronic NODX.
- **Thailand’s 4Q GDP grew 0.6% y/y and +0.6% q/q SA – the slowest pace in nearly 2 years – as political unrest started since 31 Oct 2013 hurt domestic demand and tourism sector.** According to our Economic-Treasury Research team, various indicators and government forecasts point to weaker sentiments. For example, Thai consumer confidence had fallen to the lowest in more than 2 years in January (signaling weak domestic consumption sentiments), while the Thai tourism council predicted that visitor arrivals may fall 7.3% y/y in 1Q 2014. Retail sales had contracted for six consecutive months to Nov 2013 and looks set to remain weak in the months ahead should the political deadlock remains.

Week Ahead (24th-28stFebruary)

| Economic Indicators | | | | | | |
|---------------------|------|--------------------------------------|--------|--------|-----------------|----------|
| Date | Time | Indicators | Month | Actual | Market Forecast | Previous |
| 21 Feb | 1530 | TH Foreign Reserves USD | Feb 14 | 168.4 | - | 167.6bn |
| | 1630 | HK CPI Composite y/y | Jan | 4.6 | 4.4 | 4.3% |
| | 1700 | MY Foreign Reserves USD | Feb 14 | 132.3 | - | 133.1bn |
| | 2300 | US Existing Home Sales | Jan | 4.62 | 4.67 | 4.87mn |
| 24 Feb | 1300 | SG CPI nsa m/m | Jan | | 0.2 | -0.3% |
| | 1300 | SG CPI y/y | Jan | | 1.6 | 1.5% |
| | 1600 | TW Industrial Production y/y | Jan | | -3.83 | 5.07% |
| | 2130 | US Chicago Fed Nat Activity Index | Jan | | -2.20 | 0.16 |
| | 2330 | US Dallas Fed Manufacturing Activity | Feb | | 3.0 | 3.8 |
| 25 Feb | 090 | PH Imports USD | Dec | | - | 5235.2mn |
| | 0900 | PH Trade Balance USD | Dec | | - | -944mn |
| | 1630 | HK Exports y/y | Jan | | -1.0 | 0.0% |
| | 1630 | HK Imports y/y | Jan | | 1.0 | 1.8% |
| | 1630 | HK Trade Balance | Jan | | -34.1 | -54.4bn |
| 26 Feb | 0830 | TW Unemployment Rate | Jan | | 4.12 | 4.12% |
| | 1300 | SG Industrial Production sa m/m | Jan | | -4.2 | 5.2% |
| | 1300 | SG Industrial Production y/y | Jan | | 6.8 | 6.2% |
| 27 Feb | 0700 | SK BOP Current Account Balance | Jan | | - | 6429.1mn |
| | 1600 | TW Coincident Index m/m | Jan | | - | 0.62% |
| | 1600 | TW Leading Index | Jan | | - | 0.51% |
| 28 Feb | 0730 | JP National CPI y/y | Jan | | 1.3 | 1.6% |
| | 0730 | JP National Ex Fresh Food y/y | Jan | | 1.2 | 1.3% |
| | 1300 | JP Housing Starts y/y | Jan | | 14.5 | 18.0% |
| | 1530 | TH Exports | Jan | | - | 18277mn |
| | 1530 | TH Imports | Jan | | - | 16280mn |
| | 1530 | TH Trade Balance | Jan | | - | 1997mn |
| | 1530 | TH BOP Current Account Balance | Jan | | - | 2527mn |
| | 1530 | TH Overall Business Sentiment | Jan | | - | 45.0 |
| | 1630 | HK Budget Balance HKD | Jan | | - | 55.1bn |

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