



Review for week ending 21 March 2014

Equities

- **US stocks finished Friday lower, but still had modest weekly gains after rebounding from post-March FOMC losses as investors focused on upbeat US data releases on Thursday which included better than expected Philadelphia Fed Reserve manufacturing activity and initial jobless claims.** The Dow Jones Industrial Average was up 1.5% for the week, closing at 16,303 while the S&P 500 ended the week 1.4% higher, at 1,867.
- **European equities posted weekly gains after the Euro-zone consumer confidence climbed to a six-year high.** The Euro Stoxx 50 was up 3.06% for the week, touching 3,096.
- **Asian stocks moved mostly higher on a rather quiet trading Friday, with Japan being closed for a public holiday.** The CSI climbed 3.44% on Friday, amid talks that the Chinese central bank may loosen funding restrictions on property developers and announce other measures to support growth, according to Bloomberg.

Fixed Income

- **Treasury bonds managed to regain back its ground as concerns about the pace of any future interest rate increases began to diminish.** The 2-year note yield rose 0.4bps to 0.425% and the 10-year note yield fell 2.9bps to 2.743%.

Commodities

- **Gold futures closed higher on Friday, buoyed by a weaker dollar as the ongoing tensions between Russia and the West over Ukraine kept investors' interest in the precious metals.**
- **WTI crude oil futures were slightly higher on Friday, supported by a weaker dollar to finish the week 0.6% higher, following events in the week which included speculation over fallout from the crisis in**

Foreign Exchange Rates	Close	1W Change (%)	YTD Change (%)
AUD	0.9081	0.59%	2.19%
CAD	1.1221	1.04%	5.42%
CHF	0.8829	1.20%	-0.98%
EUR	1.3794	-0.86%	-0.86%
GBP	1.6486	-0.97%	-0.48%
JPY	102.2500	0.88%	-2.85%
NZD	0.8536	-0.02%	-0.02%
SGD	1.2742	0.70%	0.89%

Key Global Indices	Close	1W Change (%)	YTD Change (%)
Dow Jones Ind			
Avg	16,302.77	1.48%	-1.65%
S&P 500	1,866.52	1.38%	0.98%
NASDAQ			
Composite	4,276.79	0.74%	2.40%
Euro Stoxx 50	3,096.49	3.06%	-0.40%
FTSE 100	6,557.17	0.45%	-2.84%
DAX	9,342.94	3.16%	-2.19%
Hang Seng Index	21,436.70	-0.48%	-8.02%
Straits Times			
Index	3,073.39	-0.01%	-2.97%
Nikkei 225	14,224.23	-0.72%	-12.69%
All Ordinaries	5,338.08	0.16%	-0.26%

Commodities	Close	1W Change (%)	YTD Change (%)
WTI Crude			
Futures	99.46	0.58%	1.06%
Brent Crude			
Futures	106.92	-1.52%	-3.50%
Gold Futures	1,336.00	-3.12%	11.12%
Reuters CRB			
Index	299.40	-1.15%	6.86%

Bond Yields	Close	1W Change (%)	YTD Change (%)
2Y US Treasury	0.425	23.98%	11.74%
10Y US Treasury	2.743	3.33%	-9.43%
10Y JGB	0.595	N.A.	N.A.
10Y Bund	1.828	N.A.	N.A.
10Y Gilt	2.747	N.A.	N.A.

Rates based on last trading day.
Source: Bloomberg

Ukraine and concerns about earlier than expected interest rate hike.

US

- **The FOMC changed its guidance on the likely trajectory of interest rates, putting less emphasis on the unemployment rate as an indicator for when rate increases will begin. They removed the reference to the 6.5% jobless rate. The Fed said it would “assess progress... towards its objectives of maximum employment and 2% inflation” in deciding when to raise interest rates.** In addition, they reduced its monthly asset purchase program by a further USD10bn to USD55bn. Chairwoman Janet Yellen also stressed that the economic outlook had not changed much since December despite the recent slowing in activity which she attributed ‘partly’ to weather.
- **February’s industrial production was stronger than expected, rising 0.6% m/m from an upwardly revised -0.2% in January.** Manufacturing output, which is the single largest component of industrial production, also jumped 0.8% m/m. This was the biggest gain since August.
- **US inflation came in line with expectations, with headline and core inflation coming in at 0.1% m/m.** The annual pace of headline inflation came down from 1.6% in January to just 1.1% in February, its slowest pace since October last year. Core inflation was unchanged at 1.6% y/y.
- **US housing permits and starts figures were overall on the positive side, coming in at an annualized pace of 907k and 1018k in February respectively.**
- **The US Philly Fed Index data released was rather upbeat, rising to 9 in March, reversing February’s weather-related dip.** Jobless claims print also came in positive, at 320k from 315k in the previous week.
- **Existing US home sales fell again in February, with sales of previously owned homes dipping 0.4% m/m to a seasonally adjusted annual rate of 4.6mln.** This was the sixth decline in sales in the past seven months.
- **US new home construction fell 0.2% m/m after plunging a revised 11.2% in January due to abnormally brutal and harsh weather in February.**
- **The US current account deficit fell to its lowest level in more than fourteen years at the end of 2013, with the current account gap dropping from \$96.37bln in Q3 to \$81.1bln.** This gap has narrowed 20% y/y, and makes up 1.9% of US gross domestic product. This was driven by strong exports of US goods overseas and a small growth in foreign imports.

Europe

- **The final February inflation for the Euro area was revised down from 0.8% y/y to 0.7% y/y, mainly due to weak energy prices.** Core inflation was unchanged at 1% y/y and is up from a low of 0.7% y/y in December.
- **The Euro zone posted a trade surplus in January.** Compared to a deficit of €5.4bln a year earlier, the trade surplus rose to €0.9bln.
- **German ZEW sentiment survey dropped sharply from 55.7 in February to 46.6, its lowest level since August and the third decline since then.**
- **Euro-zone workers’ pay rose 1.9% y/y, an improvement from the 1.3% annual rate of growth in Q3.** This growth was faster than expected in the final quarter of 2013, and it marks the fastest increase since the first quarter of 2013.

- **Construction output for January went up 1.5% m/m, making this the second straight month of increase and the largest increase since June 2013.**
- **Russia's outlook ratings have been lowered to negative by Standard & Poor's Ratings Services, with heightened geopolitical risks and the prospects of economic sanctions from the West as unrest escalates in Ukraine being the main reason for it.**

Elsewhere

- **The minutes from the RBA Board's March meeting revealed that the Board reiterated that if the economy evolves as expected, then there will be a period of stability in the cash rate.** The minutes also said that the AUD currency was still high by historical standards, and gave indication that RBA had a preference for a lower currency rather than even lower interest rates.
- **Malaysia's inflation continued to accelerate for the sixth straight month, and stayed above nominal policy rate of 3% in February, rising 3.5% y/y compared to the previous month's reading of 3.4%.** The rise was largely due to higher food prices and the hike in fuel prices.
- **Singapore's non-oil domestic exports (NODX) grew 9.1% y/y in January, better than expectations of a 7.1% y/y growth, and also better than the 3.3% y/y contraction one month back. The growth in NODX was because of the growth in non-electronic NODX that outweighed the decline in electronic NODX.**

Week Ahead (24th-28th March)

Economic Indicators						
Date	Time	Indicators	Month	Actual	Market Forecast	Previous
21 Mar	1530	TH Foreign Reserves	Mar 14	168.6	-	167.7bn
	1700	EZ ECB Current Account sa	Jan	25.3	-	20.0bn
	1700	MY CPI y/y	Feb	3.4	3.5	3.4%
	1730	UK Public Finances (PSNCR)	Feb	-0.2	-7.0	-19.3bn
	1730	UK Public Sector Net Borrowing	Feb	7.5	7.9	-6.8bn
	1800	MY Foreign Reserves USD	Mar 14	129.6	-	130.6bn
24 Mar	0830	TW Unemployment Rate	Feb		4.10	4.07%
	0945	CN HSBC China Manufacturing PMI	Mar		48.7	48.5
	1300	SG CPI nsa m/m	Feb		0.4	0.1%
	1300	SG CPI y/y	Feb		0.8	1.4%
	1600	TW Industrial Production y/y	Feb		2.82	-1.78%
	2030	US Chicago Fed Nat Activity Index	Feb		-	-0.39
25 Mar	0900	PH Trade Balance	Jan		-	-695mn
	0900	PH Imports	Jan		-	5294.3mn
	1630	HK Exports y/y	Feb		8.0	-0.4%
	1630	HK Imports y/y	Feb		9.0	-2.7%
	1630	HK Trade Balance	Feb		-39.0	-20.0bn
	2100	US House Price Index m/m	Jan		0.7	0.8%
	2200	US Consumer Confidence Index	Mar		78.6	78.1
	2200	US New Home Sales	Feb		445	468k
	2200	US New Home Sales m/m	Feb		-4.9	9.6%
26 Mar	0700	SK GDP sa q/q	4Q		-	0.9%
	0700	SK GDP y/y	4Q		-	3.9%
	1300	SG Industrial Production sa m/m	Feb		4.0	-8.1%
	1300	SG Industrial Production y/y	Feb		13.7	3.9%
	1900	US MBA Mortgage Applications	Mar		-	-1.2%
	2030	US Durable Goods Orders	Feb		1.0	-1.0%
	2145	US Markit US Services PMI	Mar		-	53.3
27 Mar	1600	TW Coincident Index m/m	Feb		-	0.55%
	1600	TW Leading Index m/m	Feb		-	0.07%
	1600	PHP O/N Reverse Repo	Mar		3.50	3.50%
	2030	US GDP Annualised q/q	4Q		2.7	2.4%
	2030	US Personal Consumption	4Q		-	2.6%
	2030	US GDP Price Index	4Q		1.6	1.6%
	2030	US Core PCE q/q	4Q		-	1.3%
	2030	US Jobless Claims	Mar		325	320k
	2030	US Continuing Claims	Mar		-	2889k

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