



Review for week ending 1 Aug 2014

Equities

- **U.S. equities declined for the week, with S&P 500 suffering its worst weekly loss in 2 years, on concerns of rising wage cost.** The Dow Jones Industrial Average, S&P 500 and Nasdaq lost 2.8%, 2.7% and 2.2% for the week respectively.
- **European equities ended the week lower amid concerns over Europe's flagging economy and Argentina's debt default.** The Euro Stoxx 50 was down 3.2% for the week.
- **Asia equities were mixed for the week as losses led by the global market selloff were capped by better than expected PMI figure from China.**

Fixed Income

- **US Treasury prices rose on Friday amid global sell-off.** The 10Y and 2Y US Treasury yields slipped 6.6bps and 5.5bps respectively overnight.

Commodities

- **Gold futures settled** at 1,293.6 on Friday, as US payrolls missed expectations, tempering concerns of an early rate hike.
- **WTI crude oil futures settled 4.1% lower for the week,** as oversupply in the Atlantic basin and reduced demand outweighed political tensions in Middle East and Ukraine.

Foreign Exchange Rates	Close	1W Change (%)	YTD Change (%)
AUD	0.9312	-0.89%	4.68%
CAD	1.0916	0.96%	2.27%
CHF	0.9059	0.11%	2.15%
EUR	1.3427	-0.02%	-0.02%
GBP	1.6821	-0.91%	1.74%
JPY	102.61	0.76%	-2.37%
NZD	0.8515	-0.46%	-0.46%
SGD	1.2468	0.38%	-1.35%

Key Global Indices	Close	1W Change (%)	YTD Change (%)
Dow Jones			
Ind Avg	16,493.37	-2.75%	-0.50%
S&P 500	1,925.15	-2.69%	4.15%
NASDAQ			
Composite	4,352.64	-2.18%	4.22%
Euro Stoxx 50	3,072.57	-3.23%	-1.17%
FTSE 100	6,679.18	-1.65%	-1.04%
DAX	9,210.08	-4.50%	-3.58%
Hang Seng			
Index	24,532.43	1.31%	5.26%
Straits Times			
Index	3,344.42	-0.17%	5.59%
Nikkei 225	15,523.11	0.42%	-4.72%
All Ordinaries	5,556.37	-0.49%	3.81%

Commodities	Close	1W Change (%)	YTD Change (%)
WTI Crude			
Futures	97.88	-4.12%	-0.55%
Brent Crude			
Futures	104.84	-3.28%	-5.38%
Gold Futures	1,293.60	-0.74%	7.59%
Reuters CRB			
Index	292.48	-1.96%	4.39%

Bond Yields	Close	1W Change	YTD Change
2Y US			
Treasury	0.472	-0.015	N/A
10Y US			
Treasury	2.493	+0.027	N/A
10Y JGB	0.532	N/A	N/A
10Y Bund	1.131	N/A	N/A
10Y Gilt	2.548	N/A	N/A

Rates based on last trading day.

Source: Bloomberg

US

- US 2Q2014 GDP rebounded to a 4.0% pace, following a 2.1% decline in 4Q2013. The expansion was relatively broad based across consumer and business sectors after a 1Q2014 drop that was significantly depressed by weather disruptions.
- The Federal Open Market Committee left benchmark rates unchanged and reduced the pace of its program of purchasing bonds, in line with market expectations. In general, the Fed is of the view that economic progress and inflation expectations remain supportive of continuing a gradual wind-down of its asset-purchasing program.
- The Conference Board's consumer confidence rose to 90.9 in July from upwardly revised 86.4 in June. This was also the highest reading since October 2007.
- The employment cost index climbed 0.7% in 2Q2014 after a 0.3% increase in the 1Q2014. This was the fastest pace of growth since the financial crisis in 2008 and was largely due to higher retirement and healthcare benefits. Wages, which accounts for 70% of employment cost, rose 0.6% in 2Q2014. That's also the biggest increase since the third quarter of 2008. Benefits rose at an even faster pace, up 1%, mainly due to increase in the cost of retirement plans. Health-care benefits also rose, likely a result of the introduction of Obamacare.
- Hiring by US employers slowed in July but remained robust. US non-farm payrolls rose by 209,000 in July (analyst estimate: 230,000), marking the sixth-straight month that non-farm payrolls added 200,000 or more jobs – the longest streak since 1997. Payrolls were upwardly revised to 298,000 in June (previous: 288,000). Unemployment rate inched up to 6.2% from 6.1%. Labor force participation rate rose to 62.9%, from 62.8% in June. The main disappointment for the market was the lack of monthly growth in average hourly earnings.
- The July ISM manufacturing survey came in at 57.1 (market estimate: 55.3), pointing to strong momentum in manufacturing activity. New orders, employment, production and prices tracked well above their 6-month moving average.

Europe

- Euro zone inflation slipped more than expected in July, sparking fears of the region falling into deflation. July inflation came in at 0.4% y/y, from 0.5% y/y in June. The new figures increase the chance that the ECB will embark on a full-scale programme of quantitative easing.
- Euro zone July final manufacturing PMI remained unchanged at 51.8. The German manufacturing PMI was downwardly revised by 0.4pt to 52.4 but was still 0.4pt higher compared to June's reading. The French manufacturing PMI was upwardly revised by 0.2pt to 47.8 in July but was still 0.4pt lower compared to June's reading.
- Euro zone consumer sentiment unexpectedly improved in July. Consumer morale rose in three of the largest economies in the euro zone, led by Italy and followed by France and Netherlands. On the other hand, sentiment in Germany and Spain worsened.
- The Bank of England leaves interest rates unchanged at 0.5% and bond buying program maintained at GBP375bil.

Elsewhere

- China's official purchasing manager's index ("PMI") rose to 51.7 in July, from 51 in June. HSBC's final July reading also came in at an 18-month high of 51.7. The improvement adds to evidence that the economy is regaining momentum from the government targeted stimulus measures.
- Japan's retail sales fell more than expected in June as consumers held back on making purchases after the recent sales tax hike. Retail sales dipped 0.6% y/y (market estimate: 0.5% y/y).
- Singapore's Industrial Production (IP) rose by a small 0.4% y/y rate in the month of June, reversing the 2.5% y/y decline (the first contraction since Jun 2013) a month ago. The electronics manufacturing cluster continued the third consecutive month of contraction (-4.8% y/y) in June, with the semiconductor segment posting a third consecutive month of decline of 3.0% y/y.
- Thailand's Finance Ministry updated their GDP growth forecast for the first time since the May 22 coup. GDP growth rate forecast is now at 1.5%-2.5% with a midpoint est. of 2.0%, lower than the 2.6% previously.
- The International Monetary Fund ("IMF") warned that sharply higher global interest rates could combine with weaker growth in emerging markets could slice as much as 2% off global growth in the next five years.

Week Ahead (4th-9th August)

Market attention will be on the monetary policy decisions of 4 major central banks from the developed economies this week, starting with the Reserve Bank of Australia (5 Aug), followed by Bank of England (6 Aug), European Central Bank (7 Aug) and Bank of Japan (8 Aug).

Economic Indicators						
Date	Time	Indicators	Month	Actual	Market Forecast	Previous
01 Aug	0700	SK CPI m/m	Jul	0.1	0.2	-0.1%
	0700	SK CPI y/y	Jul	1.6	1.7	1.7%
	0800	SK Exports y/y	Jul	5.7	3.5	2.5%
	0800	SK Imports y/y	Jul	5.8	1.1	4.1%
	0800	SK Trade Balance	Jul	2520	3000	5454mn
	0800	SK HSBC Manufacturing PMI	Jul	49.3	-	48.4
	0900	CN Manufacturing PMI	Jul	51.7	51.4	51.0
	0945	CN HSBC China Manufacturing PMI	Jul	51.7	52.0	52.0
	1000	TW HSBC Manufacturing PMI	Jul	55.8	-	54.0
	1100	ID HSBC Manufacturing PMI	Jul	52.7	-	52.7
	1530	TH Foreign Reserves	Jul	170.1	-	168.2bn
	1630	UK Markit PMI Manufacturing sa	Jul	55.4	57.2	57.2
	2030	US Change in Nonfarm Payrolls	Jul	209	231	298k
	2030	US Change in Manufacturing Payrolls	Jul	28	14	23k
	2030	US Unemployment Rate	Jul	6.2	6.1	6.1%
	2030	US Personal Income	Jun	0.4	0.4	0.4%
	2030	US Personal Spending	Jun	0.4	0.4	0.3%
	2030	US PCE Core m/m	Jun	0.1	0.1	0.2%
	2145	US Markit Manufacturing PMI	Jul	55.8	56.5	56.3
	2155	US University of Michigan Confidence	Jul	81.8	81.8	81.3
	2200	US ISM Prices Paid	Jul	59.5	58.0	58.0
	2200	US Construction Spending m/m	Jun	-1.8	0.5	0.8%
04 Aug	1200	ID Exports y/y	Jun		-1.75	-8.11%
	1200	ID CPI y/y	Jul		4.44	6.70%
	1200	ID Core CPI y/y	Jul		4.58	4.81%
	1630	UK Markit/CIPS Construction PMI	Jul		62.0	62.6
	2130	SG PMI	Jul		50.6	50.5
05 Aug	0830	TW CPI y/y	Jul		1.85	1.64%
	0945	CN HSBC Services PMI	Jul		-	53.1
	0945	CN HSBC Composite PMI	Jul		-	52.4
	1030	HK PMI	Jul		-	50.1
	1630	TW Foreign Reserves	Jul		-	423.45bn
	1630	UK Markit/CIPS Composite PMI	Jul		58.0	58.0
	1630	UK Markit/CIPS Services PMI	Jul		58.0	57.7
	2145	US Markit/CIPS Services PMI	Jul		60.8	61.0
	2145	US Markit/CIPS Composite PMI	Jul		-	60.9
	2200	US Factory Orders	Jun		0.6	-0.5%
06 Aug	1200	MY Exports y/y	Jun		13.7	16.3%
	1200	MY Imports y/y	Jun		11.7	11.9%
	1200	MY Trade Balance	Jun		6.10	5.72bn
	1530	THB 1-Day Repo	Aug		2.00	2.00%
	1900	US MBA Mortgage Applications	Aug		-	-2.2%
	2030	US Trade Balance	Jun		-44.9	-44.4bn
07 Aug	1600	TW Trade Balance	Jul		2.81	1.89bn
	1900	GBP Repo Rate	Aug		0.50	0.50%
	2030	US Initial Jobless Claims	Aug		304	302k

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