



Review for week ending 26 Sep 2014

### Equities

- **U.S. equities advanced on Friday following the upward revision of 2Q2014 GDP, paring the steep losses in Thursday's session.** While there was no clear catalyst for Thursday's plunge, some analysts attributed to concerns over Russian retaliation against sanctions and possibility of early rate hike in US. The Dow Jones Industrial Average, S&P 500 and Nasdaq lost 0.96%, 1.37% and 1.48% for the week respectively.
- **European equities ended the week lower, following Thursday's slide and lackluster economic data.** The Euro Stoxx 50 was down 1.64% for the week. The German DAX was further dragged by decline in Allianz, after famed asset manager Bill Gross resigned from its subsidiary Pimco.
- **Asia equities were mostly lower for the week.** Japan's Nikkei 225 ended 0.56% lower for the week but turned positive for the year on Thursday after the USDJPY traded as high as 109.36.

### Fixed Income

- **US Treasury prices slid lower on Friday,** on news that Bill Gross is leaving Pimco. This triggered concerns of fund redemption that will lead to sell off of US Treasuries. For the week, the US 2-year Treasury yield rose 1bps while the 10-year Treasury yield slipped 4.7bps.

### Commodities

- **Gold futures slipped 0.12% for the week,** posting its fourth consecutive week of decline on stronger dollar.
- **WTI crude oil futures settled 1.22% higher for the week,** boosted by strong US GDP data.

Foreign Exchange Rates	Close	1W Change (%)	YTD Change (%)
AUD	0.8765	-1.79%	-1.47%
CAD	1.1154	1.74%	4.50%
CHF	0.9514	1.13%	7.28%
EUR	1.2684	-1.13%	-1.13%
GBP	1.6250	-0.23%	-1.71%
JPY	109.2900	0.23%	3.99%
NZD	0.7866	-3.27%	-3.27%
SGD	1.2746	0.58%	0.85%

Key Global Indices	Close	1W Change (%)	YTD Change (%)
Dow Jones Ind Avg	17,113.15	-0.96%	3.24%
S&P 500	1,982.85	-1.37%	7.28%
NASDAQ Composite	4,512.19	-1.48%	8.04%
Euro Stoxx 50	3,219.58	-1.64%	3.56%
FTSE 100	6,649.39	-2.76%	-1.48%
DAX	9,490.55	-3.15%	-0.64%
Hang Seng Index	23,678.41	-2.58%	1.60%
Straits Times Index	3,292.21	-0.39%	3.94%
Nikkei 225	16,229.86	-0.56%	-0.38%
All Ordinaries	5,313.42	-2.20%	-0.72%

Commodities	Close	1W Change (%)	YTD Change (%)
WTI Crude Futures	93.54	1.22%	-4.96%
Brent Crude Futures	97.00	-1.41%	-12.45%
Gold Futures	1,214.10	-0.12%	0.98%
Reuters CRB Index	280.28	0.31%	0.04%

Bond Yields	Close	1W Change	YTD Change
2Y US Treasury	0.575	+0.010	N/A
10Y US Treasury	2.528	-0.047	N/A
10Y JGB	0.519	-0.037	N/A
10Y Bund	0.972	-0.071	N/A
10Y Gilt	2.468	-0.076	N/A

Rates based on last trading day.

Source: Bloomberg

## US

- In the third estimate of US 2Q2014 economic growth, GDP was revised further upwards to an annualized rate of 4.6%, from the second and initial estimate of 4.2% and 4.0% respectively, illustrating the strong recovery following the contraction in 1Q due to harsh weather. Upward revisions were mainly from business investment (+0.2points) and exports (+0.1points). Consumption was flat as the upward revision in healthcare consumption (+0.4points), which has been challenging to measure due to the impact of the Affordable Care Act, was offset by downward revision in recreation and other services.
- Housing activity was mixed, as new home sales improved but existing-home sales declined slightly. New home sales jumped 18% m/m and 33% y/y in August. Existing-home sales, which constitutes 90% of total home sales, fell 1.8% m/m in August, the first decline in five months. Despite modest improvement over the past few months from the slow winter, existing-home sales are down 5.3%. On the positive side, supply of both existing- and new home sales remains tight, about five months of supply at current sales rates, which typically keeps prices trending higher
- Durable goods orders pulled back in August following the record monthly increase in July. The 18.2% m/m decline in August durable goods orders nearly reversed the 22.5% m/m increase in July. The wide swing was largely attributed to volatile aircraft orders. Compared with the year prior, durable goods orders jumped 14.4%, the strongest annual increase in over three and half years.
- US flash estimate of manufacturing purchasing managers' index (PMI) remained unchanged at 57.9 in September. New orders component was stable at 60.5, while the new export orders declined to 53.8 from 54.4. The employment component rose substantially to 56.6 from 54.6, pointing toward a continued recovery in job creations after a rather weak non-farm payroll gain of 142K in August.

## Europe

- The Eurozone economy continues to falter in September as the region's composite purchasing managers' index (PMI) weakened to a nine-month low of 52.3, from August's reading of 52.5. Eurozone manufacturing PMI slipped to a new low of 50.2 while services PMI fell to 3-month low of 52.8.
- The German Ifo business climate index continued to weaken in September, as both the current assessment and future expectations weakened. The index dropped to 104.7, from 106.3 in August, marking its fifth consecutive decline and its lowest level since April 2013.
- The Eurozone consumer confidence declined for the fourth consecutive month to -11.4 in September (August: -10) against a backdrop of geopolitical tensions and faltering economic growth.
- Loans to private sector contracted for the 28th month in a row in August, though at a slower pace, reflecting the weak credit dynamics in Eurozone. Lending to private sector contracted 1.5% y/y in August (July: -1.6% y/y), with the contraction more pronounced in loans to non-financial corporations (-2.2% y/y) than in loans to household (-0.5% y/y). The weak credit growth raises the question of whether it is supply or demand driven as well as whether the European Central Bank's (ECB) latest liquidity measures are sufficient to expand the ECB's balance sheet.

## Elsewhere

### Japan

- Japan's inflation softened further in August, declining to 3.3% y/y from 3.4% in July, mainly driven by weaker goods price inflation. Core inflation (which excludes food and energy) remained unchanged at 2.3% y/y in August. The inflation for Tokyo region (excluding fresh food) also declined further to 2.6% y/y in September, from 2.7% y/y in August. Taking into account the effects of the April consumption tax hike, nationwide core CPI in August rose 1.1% y/y, marking a slip back from July's pace of 1.3% y/y and a 10-month low.

China

- China's flash HSBC manufacturing PMI rebounded to 50.5 in September, from 50.2 in August and better than consensus estimate of 50.0. New orders and new export orders picked up but employment conditions weakened.
- On Monday, local media reported that the big four state-owned banks plan to lower mortgage rates, allowing people to enjoy discounted mortgage rates available to first-time homeowners, even if the buyer already owns an existing home. The banks will increase the discount from the central bank's benchmark from 15% to as much as 30%.

Singapore

- Singapore's August consumer price inflation eased further to a 6-month low of 0.9% y/y, below consensus forecast of 1.1% and July's reading of 1.2% y/y. Core inflation (which excludes housing and private road transport) edged slightly lower to register 2.1% in August, compared to 2.2% y/y a month ago. The main reason for the softer inflation was due to decline in private transportation costs, as COE prices corrected and petrol pump prices decreased.

### Week Ahead (29<sup>th</sup> September-3<sup>rd</sup> October)

Market attention will be on the two key events this week: the ECB policy decision on Thursday (2 Oct) and the September US Labour market report on Friday (3 Oct). The ECB policy decision comes a week after the ECB President Mario Draghi delivered a downbeat testimony to the EU parliament and the recent lackluster Eurozone economic data, increasing expectations for more stimulus this week. For the September non-farm payrolls, consensus estimate is at 195,000 (up from 142,000 in Aug) while unemployment rate is expected to remain unchanged.

29-Sep-14	Event	Period	Survey	Actual	Prior
EC	Consumer Confidence	Sep F	-11.4	--	-11.4
GE	CPI MoM	Sep P	-0.10%	--	0.00%
GE	CPI YoY	Sep P	0.80%	--	0.80%
US	Personal Income	Aug	0.30%	--	0.20%
US	Personal Spending	Aug	0.40%	--	-0.10%
US	Pending Home Sales MoM	Aug	-0.50%	--	3.30%
30-Sep-14	Event	Period	Survey	Actual	Prior
NZ	Building Permits MoM	Aug	0.00%	--	0.10%
JN	Jobless Rate	Aug	3.80%	--	3.80%
JN	Job-To-Applicant Ratio	Aug	1.1	--	1.1
JN	Industrial Production MoM	Aug P	0.20%	--	0.40%
NZ	ANZ Business Confidence	Sep	--	--	24.4
CH	HSBC China Manufacturing PMI	Sep F	50.5	--	50.5
GE	Unemployment Change (000's)	Sep	-2K	--	2K
GE	Unemployment Rate	Sep	6.70%	--	6.70%
EC	Unemployment Rate	Aug	11.50%	--	11.50%
EC	CPI Estimate YoY	Sep	0.30%	--	0.40%
IT	CPI NIC incl. tobacco MoM	Sep P	-0.20%	--	0.20%
IT	CPI EU Harmonized MoM	Sep P	1.80%	--	-0.20%
IT	CPI EU Harmonized YoY	Sep P	-0.10%	--	-0.20%
US	Chicago Purchasing Manager	Sep	62	--	64.3
US	Consumer Confidence Index	Sep	92.5	--	92.4
01-Oct-14	Event	Period	Survey	Actual	Prior
JN	Tankan Large Mfg Index	3Q	10	--	12
JN	Tankan Large Non-Mfg Index	3Q	17	--	19
JN	Tankan Large Mfg Outlook	3Q	13	--	15
JN	Tankan Large Non-Mfg Outlook	3Q	18	--	19
JN	Tankan Large All Industry Capex	3Q	7.00%	--	7.40%
CH	Manufacturing PMI	Sep	51	--	51.1
AU	Retail Sales MoM	Aug	0.40%	--	0.40%
JN	Markit/JMMA Japan Manufacturing PMI	Sep F	--	--	51.7
IT	Markit/ADACI Italy Manufacturing PMI	Sep	49.5	--	49.8
FR	Markit France Manufacturing PMI	Sep F	48.8	--	48.8
GE	Markit/BME Germany Manufacturing PMI	Sep F	50.3	--	50.3
EC	Markit Eurozone Manufacturing PMI	Sep F	50.5	--	50.5
US	MBA Mortgage Applications	26-Sep	--	--	-4.10%

US	ADP Employment Change	Sep	207K	--	204K
US	Markit US Manufacturing PMI	Sep F	58	--	57.9
US	ISM Manufacturing	Sep	58.3	--	59
US	Construction Spending MoM	Aug	0.40%	--	1.80%
ES	Unemployment Rate	Sep	--	--	4.00%
<b>02-Oct-14</b>	<b>Event</b>	<b>Period</b>	<b>Survey</b>	<b>Actual</b>	<b>Prior</b>
JN	Monetary Base YoY	Sep	--	--	40.50%
AU	Trade Balance	Aug	-850M	--	-1359M
AU	Building Approvals MoM	Aug	1.30%	--	2.50%
AU	Building Approvals YoY	Aug	12.70%	--	9.40%
EC	ECB Main Refinancing Rate	02-Oct	0.05%	--	0.05%
US	Initial Jobless Claims	27-Sep	298K	--	293K
US	Factory Orders	Aug	-9.50%	--	10.50%
<b>03-Oct-14</b>	<b>Event</b>	<b>Period</b>	<b>Survey</b>	<b>Actual</b>	<b>Prior</b>
EC	Markit Eurozone Composite PMI	Sep F	52.3	--	52.3
US	Trade Balance	Aug	-\$40.8B	--	-\$40.5B
US	Change in Nonfarm Payrolls	Sep	215K	--	142K
US	Unemployment Rate	Sep	6.10%	--	6.10%

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