



Review for week ending 6 June 2014

Equities

- **US equities continued to rally into record territory on Friday following encouraging US jobs report.** Dow Jones Industrial Average and S&P 500 closed at 16,924.28 and 1,949.44 respectively, their strongest weekly performance since mid-April.
- **Europe equities advanced on Friday, as investors reacted positively to US job report while ECB's policy package including 4-year LTRO also provided a boost to weekly gains.** The Euro Stoxx 50 closed at record level of 3,294.28, a level not seen since June 2008.
- **Asian equities ended mixed on Friday, ahead of the widely watched US nonfarm payrolls report.** Japan's Nikkei 225 closed at a 2-month high of 15,077.24, and is currently on its strongest buying streak for the year, rising in 9 out of the last 10 session.

Fixed Income

- **US Treasury yields saw the biggest weekly rise since September 2013 after the US jobs report largely met market expectations.** The 10-year US Treasury yield rose 11bps for the week, closing at 2.587%.

Commodities

- **Gold futures slipped 0.07% on Friday, after the closely watched US employment report showed a solid pace of hiring in May.** This partially offset the 0.72% gain on Thursday, after the ECB unveiled measures to boost the European economy. On a weekly basis, gold was up 0.52%, settling at 1,252.10.
- **WTI futures advanced on Friday as the positive US job numbers lifted prospects for energy demand.** However, the gain was not sufficient to offset the losses earlier in the week, stoked by concerns of rising US inventories. WTI futures posted marginal weekly loss of 0.05%, settling at 102.66

Foreign Exchange Rates	Close	1W Change (%)	YTD Change (%)
AUD	0.9333	0.25%	5.03%
CAD	1.0931	0.78%	2.70%
CHF	0.8936	-0.18%	0.22%
EUR	1.3643	0.06%	0.06%
GBP	1.6802	0.28%	1.42%
JPY	102.4800	0.70%	-2.63%
NZD	0.8501	0.02%	0.02%
SGD	1.2519	-0.18%	-0.88%

Key Global Indices	Close	1W Change (%)	YTD Change (%)
Dow Jones Ind Avg	16,924.28	1.24%	2.10%
S&P 500	1,949.44	1.34%	5.47%
NASDAQ Composite	4,321.40	1.86%	3.47%
Euro Stoxx 50	3,294.28	1.53%	5.96%
FTSE 100	6,858.21	0.20%	1.62%
DAX	9,987.19	0.44%	4.55%
Hang Seng Index	22,951.00	-0.57%	-1.52%
Straits Times Index	3,299.43	0.11%	4.17%
Nikkei 225	15,077.24	3.04%	-7.45%
All Ordinaries	5,464.03	-0.52%	2.09%

Commodities	Close	1W Change (%)	YTD Change (%)
WTI Crude Futures	102.66	-0.05%	4.31%
Brent Crude Futures	108.61	-0.73%	-1.98%
Gold Futures	1,252.10	0.52%	4.14%
Reuters CRB Index	305.25	-0.08%	8.95%

Bond Yields	Close	1W Change	YTD Change
2Y US Treasury	0.399	0.026	N/A
10Y US Treasury	2.587	0.111	N/A
10Y JGB	0.587	0.015	N/A
10Y Bund	1.358	-0.005	N/A
10Y Gilt	2.57	0.085	N/A

Rates based on last trading day.

Source: Bloomberg

US

- **US ISM Manufacturing came in at 55.4 in May (after initially being reported as 53.2 due to the use of wrong seasonal factors), a 0.5 points rise from 54.9 reading in April.** The data showed general improvement with new orders and production rising though employment and supplier deliveries grew at a slower pace.
- **US construction spending in April was estimated at seasonally adjusted rate of US\$953.5bil, which represents rise of 0.2% m/m (March revised estimate of US\$951.6bil) and 2.0% y/y in April (April 2013 estimate of US\$878.4bil).** Construction spending was mainly in public outlays, which rose 0.8% m/m while spending on private construction was flat.
- **US final Markit manufacturing PMI rose to 3-month high of 56.4 in May (April: 55.4), stronger than market expectations of 56.2.** All the sub-indices were higher than the flash estimates and new export orders jumped to 52.2, the fastest pace since July 2013.
- **The US Federal Reserve's latest Beige Book report released on 4 June showed that the US economy is now expanding across the country,** recovering at a "moderate" to "modest" pace following the harsh winter weather. The report also indicated that "all twelve Federal Reserve Districts reported that economic activity expanded", which is an improvement from the previous April Beige Book, when two districts, Cleveland and St. Louis reported contraction in economic activity.
- **The US non-manufacturing purchasing managers index ("PMI") climbed to 56.3 in May (from 55.2 in April), indicating accelerating growth.** This was also the highest reading since August 2013's reading of 57.9.
- **US nonfarm payrolls rose 217,000 in May, marking the fourth consecutive month that US employers created more than 200,000 jobs - the first time since January 2000.** Unemployment rate held steady at 6.3% while labour force participation was unchanged at 62.8%.

Europe

- **Euro zone inflation rose 0.5% y/y in May, below market expectations (+0.6% y/y).** Looking at the basket of prices, energy prices was unchanged while services inflation eased to 1.1% y/y in May from 1.6% in April.
- **German inflation slumped to 0.8% in May (April 1.3%) – the lowest level of annual inflation since 2010.** The decline was mainly driven by falling energy and car fuel prices which was 0.8% lower than a year ago. Food prices also showed signs of moderation, rising just 0.5% y/y.
- **The European Central Bank ("ECB") reduced deposit rate to -0.10%, from zero.** This was the first time a major central bank dropped deposit rate to negative. The benchmark rate was in turn reduced to 0.15%, from 0.25%. The rate cuts were taken with the hope of spurring bank lending and prevent Europe from falling into the deflationary trap. The ECB also announced a series of measures to support bank lending, including the introduction of targeted long-term lending ("LTRO") and ending of sterilization of bond purchases.
- **The Bank of England left its benchmark rate at record low of 0.5% and kept its bond purchases plan at GBP375bil.** The decision was in line with expectations. With inflation remaining below target, the BOE has the scope wait before tightening their policy.

Elsewhere

- **The Reserve Bank of Australia (“RBA”) left cash rate unchanged at 2.5% at the 3 June policy meeting, in line with market expectations.** In the RBA statement, it also says that “the exchange rate remains high by historical standards, particularly given the further decline in commodity prices”.
- **Australia’s 1Q2014 GDP expanded by a faster than expected pace of 1.1% q/q (3.5% y/y), from 0.8% q/q (2.7% y/y) in the preceding quarter.** This was the fastest pace of economic expansion in 2 years. Main driver of the growth pace were higher exports and steady home building activity (amid record low borrowing costs), though mining investments continued to moderate.
- **China’s May exports rose 7% y/y in May, an acceleration from April’s 0.9% rise, driven by firmer global demand.** Imports however fell 1.6% in May y/y, versus 0.8% rise in April, signaling weaker domestic demand of the Chinese economy.
- **Indonesia posted a trade deficit of US\$1.96bil in April (March: US\$673.2mil surplus) – the largest shortfall since July 2013 and way below market expectations of more than US\$200mil surplus.** The huge trade deficit was largely due to a controversial ban on mineral ore exports and partly contributed by lower palm oil prices as well as jump in imports ahead of the Ramadan holy month.

Week Ahead (9th June-13th June)

For this week, there will be few key US economic data to focus on, including May advanced retail sales (12 Jun) and May prelim. University of Michigan consumer confidence survey (13 Jun). However, markets are likely to have subdued reaction to these data and take on a wait-and see mode ahead of next week's FOMC meeting (17-18 Jun). With 2014 FIFA World Cup Brazil kicking off on 12 Jun (13 June 4:00 am Singapore time), it is another factor that may lead to quieter financial markets.

Economic Indicators						
Date	Time	Indicators	Month	Actual	Market Forecast	Previous
06 Jun	1201	MY Exports /y	Apr	18.9	9.6	8.3%
	1201	MY Imports y/y	Apr	5.0	-0.7	0.5%
	1201	MY Trade Balance	Apr	8.87	6.75	9.53bn
	1430	AU Foreign Reserves AUD	May	65.1	-	62.1bn
	1530	TH Foreign Reserves USD	May 30	167.5	-	167.5bn
	1542	PH Foreign Reserves	May	80.0	-	79.8bn
	1630	UK Trade Balance Non EU GBP	Apr	-3783	-3150	-3418mn
	1630	UK Trade Balance GBP	Apr	-2543	-1500	-1057
	1702	HK Foreign Reserves	May	320.2	-	317.7bn
	1710	ID Foreign Reserves	May	107.0	-	105.6bn
	1800	MY Foreign Reserves USD	May 30	130.9	-	131.1bn
	2030	US Change in Nonfarm Payrolls	May	217	215	282k
	2030	US Change in Private Payrolls	May	216	210	270k
	2030	US Change in Manufacturing Payrolls	May	10	10	4k
	2030	US Unemployment Rate	May	6.3	6.4	6.3%
	2030	US Underemployment Rate	May	12.2	-	12.3%
	2030	US Labor Force Participation Rate	May	66.1	66.2	66.1
9 Jun	0750	JP BoP Current Account Balance JPY	Apr	-	-	116.4bn
	0750	JP Trade Balance BoP Basis JPY	Apr	-	-	-1133.6bn
	0750	JP GDP q/q sa	1Q F	-	1.4	1.5%
	0750	JP GDP Annualized q/q sa	1Q F	-	5.7	5.9%
	0750	JP GDP Consumer Spending q/q	1Q F	-	2.1	2.1%
	1300	JP Consumer Confidence Index	May	-	-	37.0
	1600	TW Trade Balance USD	May	-	2.90	2.53mn
	1600	TW Exports y/y	May	-	3.3	6.2%
	1600	TW Imports y/y	May	-	10.3	5.8%
	2700	SG Foreign Reserves USD	May	-	-	275.24bn
10 Jun	0900	PH Exports	Apr	-	-	5279.0mn
	0930	CN PPI y/y	May	-	-1.5	-2.0%
	0930	CN CPI y/y	May	-	2.4	1.8%
	1930	US NFIB Small Business Optimism	May	-	-	95.2
	2200	UK NIESR GDP Estimate	May	-	-	1.0%
	2200	US JOLTS Job Openings	Apr	-	-	4014
	2200	US Wholesale Inventories m/m	Apr	-	0.5	1.1%
	2200	US Wholesale Trade Sales m/m	Apr	-	-	1.4%
11 Jun	1201	MY Industrial Production y/y	Apr	-	-	4.3%
	1201	MY Manufacturing Sales Value y/y	Apr	-	-	10.1%
	1630	UK ILO Unemployment Rate 3Mths	Apr	-	-	6.8%
	1900	US MBA Mortgage Applications	Jun 6	-	-	-3.1%

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