



Review for week ending 4 July 2014

Equities

- **US equities closed at record levels in a holiday-shortened week, after a jobs report came in stronger than expected.** The Dow Jones Average closed 1.28% higher and the S&P500 closed 1.25% higher for the week.
- **European stocks, which enjoyed positive momentum for much of the week, faded on Friday as the US closure for Independence Day left markets subdued.**
- **Asian stocks rose on Friday, with the Nikkei 225 up 2.27% and the Hang Seng up 1.40% for the week, after US unemployment slid to the lowest level since before the peak of the financial crisis.**

Fixed Income

- **US Treasuries sold off strongly after the release of the US payrolls data on Thursday.** The 2-year yield finished the session at 0.506% while the 10-year yield closed at 2.638%.

Commodities

- **Gold futures were modestly unchanged, closing at 1,320.60.**
- **Brent crude slipped 2.35% for the week, its biggest weekly decline in six months as Libya prepared to resume exports from two terminals and Iraq's crude production remained unaffected by violence.** WTI crude edged 0.1% higher on Friday to USD 104.06 per barrel.

Foreign Exchange Rates	Close	1W Change (%)	YTD Change (%)
AUD	0.9365	-0.66%	5.39%
CAD	1.0653	-0.12%	0.08%
CHF	0.8941	0.37%	0.28%
EUR	1.3595	-0.40%	-0.40%
GBP	1.7160	0.73%	3.59%
JPY	102.0600	0.63%	-3.03%
NZD	0.8739	-0.43%	-0.43%
SGD	1.2461	-0.28%	-1.34%

Key Global Indices	Close	1W Change (%)	YTD Change (%)
Dow Jones Ind Avg	17,068.26	1.28%	2.97%
S&P 500	1,985.44	1.25%	7.42%
NASDAQ Composite	4,485.93	2.00%	7.41%
Euro Stoxx 50	3,270.47	1.32%	5.19%
FTSE 100	6,866.05	1.60%	1.73%
DAX	10,009.08	1.98%	4.78%
Hang Seng Index	23,546.36	1.40%	1.03%
Straits Times Index	3,272.25	0.04%	3.31%
Nikkei 225	15,437.13	2.27%	-5.24%
All Ordinaries	5,524.98	1.47%	3.23%

Commodities	Close	1W Change (%)	YTD Change (%)
WTI Crude Futures	104.06	-1.59%	5.73%
Brent Crude Futures	110.64	-2.35%	-0.14%
Gold Futures	1,320.60	0.05%	9.84%
Reuters CRB Index	306.74	-1.31%	9.48%

Bond Yields	Close	1W Change	YTD Change
2Y US Treasury	0.506	+0.045	N/A
10Y US Treasury	2.638	+0.104	N/A
10Y JGB	0.57	N/A	N/A
10Y Bund	1.27	N/A	N/A
10Y Gilt	2.757	N/A	N/A

Rates based on last trading day.
Source: Bloomberg

US

- During the IMF, Fed Chair Janet Yellen gave an indication that although she does see “pockets of increased risk-taking”, it was not necessary to change the current course of monetary policy to address financial stability concerns.
- The recovery in home sales gained more ground in May, with signed contracts to buy existing homes rising 6.1% from April (Mkt est: +1.5%). This is the largest monthly gain since April 2010, just before the end of the popular first-time home buyer tax credit. However, the so-called Pending Home Sales Index from the National Association of Realtors came down 5.2% from May 2013.
- The US ISM manufacturing index came in broadly unchanged in June at 55.3 (mkt est: 55.9), slightly off from May’s reading of 55.4. Survey details were mixed with new orders rising solidly, production index easing modestly and employment component remaining flat. These data is overall supportive of the view that the US economy is bouncing back from the weather-related softness in the first quarter.
- The non-manufacturing ISM survey fell slightly from 56.3 in May to 56.0, with details of the survey showing encouraging signs with increasing new orders and employment components.
- The Commerce Department said that US construction spending only edged up 0.1% in May as compared to a year ago, with government spending as the only driver of it. May private sector spending on construction fell at an annual rate of 0.3% from April, dragged down by a drop of 1.5% in home building spending.
- Private-sector hiring improved last month, with the US ADP employment coming in better than expected in June, rising from May’s 179k to 281k, the largest monthly rise since November 2012.
- After posting solid gains in recent months, US factory orders fell more than expected, declining 0.5% m/m (mkt est: -0.3% m/m).
- US June non-farm payrolls rose 288k, with the previous two months revised upwards by 29k. Unemployment rate fell another 0.2ppts to 6.1% (mkt est: 6.3%), a nearly six-year low.
- US services sector activity hit its highest in 4-1/2 years, with increasing new business activity and hiring. Financial data firm Markit said its final services Purchasing Managers Index hit 61.0 in June, the highest final reading since the survey began in October 2009.
- The US trade deficit narrowed to \$44.4 billion in May, beating expectations of a trade deficit of US\$45 billion. Exports came in at US\$195.5 billion while imports totaled US\$239.8 billion.

Europe

- The European Central Bank (ECB) held key interest rates unchanged, with the main refinancing rate at a record low of 0.15%, the deposit rate at -0.10% and the marginal lending rate at 0.40%.
- Inflation in Europe remained stable at 0.5% for June, which is the same level in May. The reading missed the forecast of 0.60%.
- The June flash CPI in the Euro Area remained unchanged at 0.5% y/y (mkt: +0.5% y/y), while the core measure rose modestly to 0.80% y/y (mkt: +0.7% y/y) from 0.7% y/y in May.
- Euro zone’s manufacturing sector for June slowed down, with data firm Markit reporting that its purchasing manufacturers’ index came in lower than the preliminary reading of 51.9, at 51.8.

- German manufacturing PMI fell to its lowest level since October last year, coming in at 52.0. The final reading for the Euro area manufacturing PMI also eased slightly to 51.8.
- Unemployment in Germany for June rose a seasonally adjusted 9,000 to 2.92 million, with the adjusted jobless rate holding at 6.7%.
- Markit's June manufacturing PMI reading for UK beat expectations for a 57.0 reading, to come in at 57.5.

Elsewhere

- The China Banking Regulatory Commission announced that from 1st July 2014, the loan-to-deposit (LDR) for commercial banks will be relaxed to bolster liquidity to targeted areas. Commercial banks have to ensure that the LDR for local currency is below 75%.
- The official manufacturing PMI for China improved for the third consecutive month from 50.8 last month to 51.0 in June. The details of the survey were encouraging with both the new orders and exports components rising.
- RBA Governor Stevens confirmed in a speech that rate hikes was not going to happen anytime soon, the Australian currency is uncomfortably high, and that the market was too complacent about a potential fall in the exchange rate.
- The Reserve Bank of Australia (RBA) left the cash rate unchanged at 2.50%, and continues to picture a "period of stability in interest rates." The Bank expects moderate growth in consumer demand, economic growth to be a little below trend over the year ahead, with a significant decline in mining investment expected to be partly offset by the strength in housing construction. However, the comments on the exchange rate were slightly changed, with the Bank likely to be increasingly uncomfortable with the level of the AUD.
- Australia's trade deficit widened sharply in May, which was worse than forecast, to AUD 1.9bn (mkt est: - AUD200m). The trade balance for the previous three months was revised AUD960m lower because of weaker exports.
- Australia's retail sales growth came in weaker than expected, falling 0.5% m/m in May (mkt est: 0.0% m/m). On the bright side, building approvals recovered 9.9% m/m after posting declines over the past three months.

Week Ahead (7th July -11th July)

The week ahead will see less prominent US data releases, and focus will be on the Bank of England (BOE), the start of the US corporate earnings season and the US-China Strategic and Economic Dialogue to be held in Beijing on 9-10 July.

The key data for the US is the May wholesale inventories & trade sales data (10 Jul), while the other data over the course of the week include the May consumer credit (8 Jul), June NFIB Small Business Optimism survey (8 Jul), the usual weekly initial jobless claims (10 Jul), and the June monthly Budget Statement (10 Jul). The US corporate earnings report season “unofficially” kicks off with aluminum maker Alcoa announcing its results for the second quarter on Tuesday 8th July, while Wells Fargo is scheduled to report 2Q results on Friday 11th July.

Economic Indicators						
Date	Time	Indicators	Month	Actual	Market Forecast	Previous
04 Jul	1030	HK Hong Kong PMI	Jun	50.1	-	49.1
	1201	MY Exports y/y	May	16.3	15.2	18.7%
	1201	MY Imports y/y	May	11.9	7.7	5.0%
	1201	MY Trade Balance	May	5.72	8.10	8.74bn
	1530	TH Foreign Reserves USD	Jun 27	168.0	-	167.8bn
	1620	TW Foreign Reserves USD	Jun	423.45	-	421.65bn
07 Jul	1600	TW Trade Balance USD	Jun		3.60	5.29bn
	1600	TW Exports y/y	Jun		1.0	1.4%
	1600	TW Imports y/y	Jun		-0.5	-2.3%
	1700	SG Foreign Reserves USD	Jun		-	276.14bn
	1800	MY Foreign Reserves USD	Jun 30		-	131.1bn
08 Jul	0750	JP BoP Current Account Balance JPY	May		429.9	187.4bn
	0750	JP Trade Balance BoP Basis JPY	May		-822.5	780.4bn
	0830	TW CPI y/y	Jun		1.60	1.61%
	0830	TW WPI y/y	Jun		1.10	1.17%
	1930	US NFIB Small Business Optimism	Jun		97.0	96.6
09 Jul	0300	US Consumer Credit USD	May		18.100	26.847bn
	0930	CN PPI y/y	Jun		-1.0	-1.4%
	0930	CN CPI y/y	Jun		2.4	2.5%
	1900	US MBA Mortgage Applications	Jul 4		-	-0.2%
10 Jul	0900	KRW Base Rate	Jul		2.50	2.50%
	0900	PH Exports y/y	May		-	1.3%
	0900	PH Exports USD	May		-	4566.0mn
	1201	MY Industrial Production y/y	May		-	4.2%
	1201	MY Manufacturing Sales Value y/y	May		-	7.7%
	1530	TH Foreign Reserves	Jul 4		-	-
	1630	UK Trade Balance GBP	May		-	-1839
	1800	MYR O/N Policy Rate	Jul		-	3.00%
	1900	GBP Repo Rate	Jul		0.50	0.50%
	2030	US Intital Jobless Claims	Jul 5		-	-
	2030	US Continuing Claims	Jun 28		-	-
	2200	US Wholesale Inventories m/m	May		0.6	1.1%

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