



Review for week ending 9 February 2014

Equities

- **US equities ended the first week of February in the positive territory, after a two weeks losing streak.** In a high volume trading and volatile week, Dow Jones Industrial Average and S&P 500 closed 0.6% and 0.8% up respectively for the week as investors focused on the positive side of US jobs data released on Friday.
- **European shares gained on Friday, with Euro Stoxx 50 closing the week 0.8% higher,** as mining stocks advanced on hopes that gradual economic recovery in the Eurozone will benefit the mining sector.
- **Asian stock markets were mostly higher on Friday.** Nikkei 225 was up 2.2% on Friday, narrowing the decline for the week to 3.0%, helped by a weaker yen and better-than-expected US initial jobless claims data. China equities which returned from holiday on Friday joined in the upturn, as investors shrugged off weaker Chinese PMI data released earlier in the week.

Fixed Income

- **US 10-year Treasury notes posted their first weekly decline for 2014** as the drop in US unemployment rate added to speculation that the Federal Reserve will continue scaling back on its quantitative easing program.

Commodities

- **Spot gold price settled 1.9% higher for the week,** boosted by safe haven demand driven by concerns in the emerging markets.
- **WTI Crude oil futures settled higher on Friday, rounding up a 2.5% gain for the week.** The gain was largely fuelled by rally in gasoline and heating oil prices on tighter supply amid cold weather across the US and as refiners enter maintenance season.

Foreign Exchange Rates	Close	1W Change (%)	YTD Change (%)
AUD	0.8959	2.32%	0.82%
CAD	1.1032	-0.86%	3.65%
CHF	0.8981	-0.93%	0.73%
EUR	1.3635	1.10%	1.10%
GBP	1.6411	-0.17%	-0.94%
JPY	102.3000	0.25%	-2.80%
NZD	0.8295	2.58%	2.58%
SGD	1.2682	-0.67%	0.41%

Key Global Indices	Close	1W Change (%)	YTD Change (%)
Dow Jones Ind			
Avg	15,794.08	0.61%	-4.72%
S&P 500	1,797.02	0.81%	-2.78%
NASDAQ			
Composite	4,125.86	0.54%	-1.21%
Euro Stoxx 50	3,038.49	0.81%	-2.27%
FTSE 100	6,571.68	0.94%	-2.63%
DAX	9,301.92	-0.05%	-2.62%
Hang Seng Index	21,636.85	-1.81%	-7.16%
Straits Times			
Index	3,013.14	-0.47%	-4.87%
Nikkei 225	14,462.41	-3.03%	-11.23%
All Ordinaries	5,166.53	-0.45%	-3.47%

Commodities	Close	1W Change (%)	YTD Change (%)
WTI Crude			
Futures	99.88	2.45%	1.48%
Brent Crude			
Futures	109.57	2.98%	-1.11%
Gold Futures	1,263.30	1.87%	5.07%
Reuters CRB			
Index	289.77	2.28%	3.43%

Bond Yields	Close	1W Change (%)	YTD Change (%)
2Y US Treasury	0.303	-7.42%	-20.14%
10Y US Treasury	2.683	1.47%	-11.40%
10Y JGB	0.614	N/A	N/A
10Y Bund	1.661	N/A	N/A
10Y Gilt	2.712	N/A	N/A

Rates based on last trading day.
Source: Bloomberg

US

- **Factories in the US expanded at the weakest pace in eight months as the Institute for Supply Management ("ISM") factory index slipped to 51.3 in January** from 56.5 in the prior month, lower than market expectations of 56. The colder-than-usual weather in the winter season slowed down production.
- **The private sector added 175,000 jobs in January according to the ADP report, the smallest gain since August and below December's increase of 227,000 jobs.** Most of the jobs were created in the services sector while the manufacturing sector cut 16,000 jobs. Cold winter weather likely attributed to the weak hiring.
- **US trade deficit widened to US\$38.7bil in December, from a revised US\$34.6bil in November and wider than consensus expectations of US\$36.0bil.** Trade added 1.33% to 4Q2013 GDP growth as exports expanded at their quickest pace in three years and imports slowed. However, there are doubts about whether the pace of export growth can be sustained as growth slows down in markets like China.
- **Nonfarm payrolls rose by a disappointing 113,000, following December's revised increase of 75,000 jobs, and well below consensus of 180,000 jobs.** The pace of job creation over the past two months slowed from the average gain of 194,000 in 2013. A bright spot was the decline in the unemployment rate to 6.6% in January (December: 6.7%), even as labour force participation rose slightly to 63% from the previous December reading of 62.8%. Initial jobless claims declined 20,000 in the week starting 27th January to a seasonally adjusted 331,000, another positive sign for the job market.

Europe

- **Eurozone final manufacturing PMI came in at 54.0 for January, higher than the flash reading of 53.9 and 52.8 for December.** The Eurozone manufacturing PMI was 56.5 (flash: 56.3, December: 54.3) as output, new orders and new exports increased. The French manufacturing PMI was revised upwards to 49.3 (flash: 48.8, December: 47.0).
- **Eurozone final services PMI for January was slightly revised downwards to 51.6 (flash: 51.9, December: 51.0), keeping it in the stable range of 50.7-52.2 since August 2013.** Combining the manufacturing and services PMI, Eurozone final composite PMI came in at 52.9 for January (flash: 53.2, December: 52.1).
- **Eurozone government debt to GDP ratio narrowed to 3.1% in Q32013 versus 3.3% in the previous quarter.** Government revenue rose to 47.1% of GDP in Q32013 (Q22013: 46.9%) while expenditure as a percentage of GDP held steady at 50.2%.
- **The European Central Bank ("ECB") left its benchmark interest rate unchanged at a record low of 0.25%,** after considering improved demand in the Eurozone and attributing low inflation in the region to pricing adjustments in the countries that are in the midst of tough austerity programmes. ECB's President Mario Draghi acknowledged that low inflation "is a risk for the recovery" and maintains that the ECB "stands ready and is willing to act".
- **Bank of England ("BOE") left interest rate unchanged at record low of 0.5%.** The Bank's Monetary Policy Committee ("MPC") also kept the £375bn quantitative easing stimulus programme unchanged. Pressure will be on BOE governor Mark Carney to use this week's inflation report to clarify or amend his forward guidance policy in the light of the unemployment rate approaching the threshold of 7%.

Elsewhere

- **The Reserve Bank of Australia (“RBA”) left its policy rate unchanged at the February meeting**, in line with market expectations. There was also a shift from soft-easing bias to neutral stance as evidenced by Governor Glenn Stevens’s statement “on present indications, the most prudent course is likely to be a period of stability in interest rates”.
- **Australian retail sales rose 0.5% m/m in December**, in line with expectations and a sign that the lower interest rate is supporting consumer sentiment and spending.
- **Australian trade balance surprised on the upside, with a surplus of AUD468mil in December, as analysts were expected a trade deficit of AUD200 mil.** This represented the second consecutive month of trade surplus, following the AUD83 mil surplus recorded in November (revised from a deficit of AUD118 mil). The increased exports were largely due to surge in exports to China but concerns remains on the sustainability of the pace in light of recent weaker China PMI data.
- **Japan’s real wages for 2013 dropped to recessionary levels in 2009**, adding strain on consumer spending as the country prepares for higher sales tax taking effect in April. Wages excluding bonuses and overtime pay, dipped to 98.9 in 2013. The gauge is based at 100 in 2010 with data dated back to 1990.
- **Japan’s domestic vehicle sales, excluding mini vehicles, surged by 27.5% y/y to 292,446 units in January.** This was the fifth consecutive month of increasing sales and the highest number of vehicles sold in a month since January 1997 as customers bought more vehicles ahead of the first stage of the sales tax hike in April.

Week Ahead (10th-14th February)

Economic Indicators						
Date	Time	Indicators	Month	Actual	Market Forecast	Previous
07 Feb	0945	CN HSBC/Markit Services PMI	Jan	50.7	-	50.9
	1201	MY Exports y/y	Dec	14.4	10.0	6.7%
	1201	MY Imports y/y	Dec	14.8	8.2	6.4%
	1201	MY Trade Balance	Dec	9.47	9.56	9.72bn
	1330	AU Foreign Reserves AUD	Jan	53.3	-	59.5bn
	1530	TH Foreign Reserves USD	Jan	166.7	-	167.2bn
	1657	HK Foreign Reserves USD	Jan	312.2	-	311.2bn
	1700	SG Foreign Reserves USD	Jan	271.54	-	273.07bn
	1736	PH Foreign Reserves USD	Jan	78.9	-	83.2bn
	2130	US Change in Nonfarm Payrolls	Jan	113	180	75k
	2130	US Net Change in Employment	Jan	29.4	20.0	-44.0k
	2130	US Change in Private Payrolls	Jan	142	185	89k
	2130	US Change in Manufacturing Payrolls	Jan	21	10	8k
	2130	US Unemployment Rate	Jan	6.6	6.7	6.7%
	2130	US Change in Household Employment	Jan	638	-	143
	2130	US Labor Force Participation Rate	Jan	63.0	-	62.8%
10 Feb	1201	MY Industrial Production y/y	Dec		5.5	4.4%
	1600	TW Trade Balance USD	Jan		1.60	2.21bn
	1600	TW Exports y/y	Jan		0.0	1.2%
	1600	TW Imports y/y	Jan		-7.1	10.1%
11 Feb	0900	PH Exports y/y	Dec		13.8	18.8%
	2030	US NFIB Small Business Optimism	Jan		93.7	93.9
	2300	US Wholesale Inventories m/m	Dec		0.6	0.5%
12 Feb	1800	MY BoP Current Account Balance MYR	4Q		-	9.8bn
	1800	MY GDP y/y	4Q		-	5.0%
	1800	MY GDP Annual y/y	2013		-	5.6%
	2000	US MBA Mortgage Applications	Feb 7		-	0.4%
13 Feb	0300	US Monthly Budget Statement	Jan		-27.5	-
	0900	KRW Base Rate	Feb		-	2.50%
	1530	TH Foreign Reserves	Feb		-	-
	2130	US Initial Jobless Claims	Feb 8		-	-
	2130	US Continuing Claims	Feb 1		-	-
	2300	US Business Inventories	Dec		0.4	0.4%
14 Feb	0930	CN PPI y/y	Jan		-1.6	-1.4%
	0930	CN CPI y/y	Jan		2.4	2.5%
	1800	EZ GDP q/q sa	4Q A		0.3	0.1%
	1800	EZ GDP y/y sa	4Q A		0.5	-0.4%
	2130	US Import Price Index m/m	Jan		0.0	0.0%
	2130	US Import Price Index y/y	Jan		-0.7	-1.3%
	2130	US Industrial Production m/m	Jan		0.3	0.3%
	2215	US Capacity Utilization	Jan		79.4	79.2%
	2255	US Univ of Michigan Confidence	Feb P		80.5	81.2%

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