



Review for week ending 4 Apr 2014

Equities

- **US equities opened modestly higher on Friday, only to decline over most of the session.** The Dow Jones Industrial Average slid 0.96% to 16,412.71, and the S&P500 fell 1.25% to 1,865.09. The NASDAQ slumped 2.6% to 4,127.73.
- **European stocks rose over the session on Friday and were higher for the week, lifted by a mea-merger in the construction sector and reports that the ECB is modeling a staggering QE initiative.**
- **Asian stocks were mixed on Friday with some mild profit-taking after a week of gains.** The Nikkei 225 was down 0.05% for the week to 15,063.77, Hang Seng fell 0.24% to 22,510.08, and the STI had a decline of 0.23% to close at 3,212.72.

Fixed Income

- **US Treasury prices rallied broadly as the employment report reduced worries and concerns that the Federal Reserve may raise interest rates sooner than many expect.** The 2-year note yield lost 4.4bps to 0.411%, and the 10-year bond yield sank 7.7bps to 2.72%.

Commodities

- **Gold futures closed higher on Friday to have a weekly gain of 0.73%** after US non-farm payrolls report came in slightly below expectations.
- **Oil prices rose on Friday, with WTI futures increasing 0.8% to USD 101.14 per barrel.** Brent futures also increased by 0.5% at USD106.72 per barrel as the reopening of Libya's oil ports were still clouded by doubts.

Foreign Exchange Rates	Close	1W Change (%)	YTD Change (%)
AUD	0.9292	0.49%	4.57%
CAD	1.0981	-0.72%	3.17%
CHF	0.8921	0.60%	0.06%
EUR	1.3705	-0.34%	-0.34%
GBP	1.6575	-0.38%	0.05%
JPY	103.2900	0.45%	-1.86%
NZD	0.8599	-0.72%	-0.72%
SGD	1.2588	0.02%	-0.33%

Key Global Indices	Close	1W Change (%)	YTD Change (%)
Dow Jones Ind			
Avg	16,412.71	0.55%	-0.99%
S&P 500	1,865.09	0.40%	0.91%
NASDAQ			
Composite	4,127.73	-0.67%	-1.17%
Euro Stoxx 50	3,230.33	1.83%	3.90%
FTSE 100	6,695.55	1.21%	-0.79%
DAX	9,695.77	1.13%	1.50%
Hang Seng Index	22,510.08	2.01%	-3.42%
Straits Times			
Index	3,212.72	1.28%	1.43%
Nikkei 225	15,063.77	2.50%	-7.53%
All Ordinaries	5,422.83	1.04%	1.32%

Commodities	Close	1W Change (%)	YTD Change (%)
WTI Crude			
Futures	101.14	-0.52%	2.76%
Brent Crude			
Futures	106.72	-1.25%	-3.68%
Gold Futures	1,303.20	0.73%	8.39%
Reuters CRB			
Index	304.84	-0.12%	8.81%

Bond Yields	Close	1W Change (%)	YTD Change (%)
2Y US Treasury	0.411	-8.65%	8.11%
10Y US Treasury	2.721	0.00%	-10.15%
10Y JGB	0.624	N/A	N/A
10Y Bund	1.553	N/A	N/A
10Y Gilt	2.686	N/A	N/A

Rates based on last trading day.
Source: Bloomberg

US

- **Federal Reserve Chair Janet Yellen said that the US economy will need extraordinary support for “some time”.** She reiterated that the Fed takes its 2% inflation goal very seriously, and that there is still some slack in the economy and labor market. She also noted once again that tapering does not mean a reduced commitment to Fed stimulus in order to support the economy.
- **Although the Chicago PMI fell from 59.8 in the previous month to 55.9, it still remains in expansionary territory.** The drop was due to both the employment and new orders components falling.
- **US ISM manufacturing survey rose from 53.2 in February to 53.7, with mixed details.** There was a decline in the employment index but an improvement in the production and new orders components.
- **US construction spending improved for February, up 0.1% to an annual rate of \$945.7bln from a downwardly revised 0.2% decline in January.**
- **US ADP private sector payrolls rose 191k in March, with February’s number revised up from 139k to 178k.**
- **February’s factory orders rose 1.6% after falling by a downwardly revised 1.0% in January and 2.0% in December.** This was because of a substantial rebound in transportation equipment orders, which surged 7.0%.
- **US non-farm payrolls employment report rose 192k in March, which came in broadly in line with expectations of 200k.** It showed signs that the labor market was starting to shake off the effects of the winter chill. The unemployment rate remained unchanged at 6.7%.

Europe

- **The European Central Bank kept its refinancing rate unchanged at 0.25% at its monthly policy meeting on 3rd April 2014.** ECB President Mario Draghi signaled that the ECB was open to QE and his willingness to act aggressively to ward off deflation if conditions merit such actions.
- **Europe’s core inflation figures came in at 0.8% y/y, although headline CPI eased to 0.5% y/y. Inflationary pressures in Europe remains modest.**
- **Euro zone annual rate of inflation hit its lowest level since late 2009. Consumer prices increased 0.5% y/y, below the ECB’s target of ~2.0% and the lowest annual rate of inflation since November 2009.** Falling energy prices contributed to the weakness, while domestic demand for other goods and services rose at a slower pace. The core measure of inflation slowed from 1.0% in February to 0.8%.
- **Europe’s Purchasing Managers’ Index for manufacturing fell from 53.2 in February to 53.0, becoming more balanced. Manufacturing activity has now expanded for nine straight months.**
- **Producer prices in the Eurozone dropped at the fastest pace since end-2009 in February, with industrial producer prices declining 1.7% y/y, the biggest annual fall since December 2009.**
- **Germany’s retail sales were upbeat, jumping 1.3% m/m in adjusted terms, after increasing a downwardly revised 1.7% in January.**
- **German total manufacturing orders grew a seasonally adjusted 0.6% m/m for February, with January’s figures revised to show growth of just 0.1%, which was well below the 1.2% initially reported.**

- Based on the value of the new mortgages it provides each month, UK lender Nationwide's monthly house price index rose 0.4% m/m and 9.5% y/y.

Elsewhere

- IMF Managing Director Christine Lagarde said that there are risks of sluggish growth in the years ahead for the global economy if aggressive steps by central banks and lawmakers are not taken to boost output. She also mentioned that bold policies are required to help fuel stronger growth.
- Solid growth in housing and business finance has led to the private sector credit rising 0.4% in Australia. Although elevated mortgage repayments have limited the pick-up in housing credit, upbeat home sales and prices lifted housing finance by around 25% over the year to January.
- The RBA left the cash rate unchanged at 2.50% which was widely expected. Once again, they concluded that a period of stability in interest rates is likely.
- Residential building approvals in Australia dropped 5.0% m/m (mkt: -2.0% m/m), with both houses and other residential buildings recording a fall.
- Australian Treasury Secretary Martin Parkison gave a speech, ahead of the Budget, by highlighting the challenges of weak productivity growth, falling terms of trade and an ageing population, which makes a case for fiscal consolidation. He mentioned that Australia had to be prepared with a fiscal buffer in case of unexpected future events, but that it would be extremely difficult and would require reform.
- After dropping for three consecutive months, China's official manufacturing PMI rose slightly to 50.3 in March. However, after adjusting for seasonal impacts, the PMI data suggests that China's manufacturing sector is weaker than the headline suggests.
- In the regular State Council meeting led by Premier Li Keqiang, China announced mini stimulus, with three steps to boost the growth – (1) speeding up the construction of railway lines, (2) an urbanization push to benefit 100 million residents by rebuilding rundown city area, (3) tax break for small and micro firms. China will also allow its policy bank to issue special bonds to finance its urbanization projects.
- The Organization for Economic Cooperation and Development (OECD) said that the annual rate of inflation in its 34 members fell from 1.7% in January to 1.4%, while in the G20 leading industrial and developing nations it fell for a third straight month from 2.6% to 2.3%.
- On Saturday, Ukraine's Prime Minister warned that the country should prepare for Russia switching off natural-gas supplies, after Gazprom said that it will raise the price of gas for Ukraine by 81%. Interim Prime Minister Arseniy Yatsenyuk said Moscow's price increase was a form of "economic aggression".

Week Ahead (7th April – 11th April)

Economic Indicators						
Date	Time	Indicators	Month	Actual	Market Forecast	Previous
04 Apr	0900	PH CPI y/y	Mar	3.9	4.1	4.1%
	0900	PH CPI Core y/y	Mar	2.8	3.0	3.0%
	1201	MY Exports y/y	Feb	12.3	10.6	12.2%
	1201	MY Imports y/y	Feb	9.5	14.2	7.2%
	1201	MY Trade Balance	Feb	10.44	8.90	6.36bn
	1530	TH Foreign Reserves USD	Mar 28	167.7	-	167.7bn
	2030	US Change in Nonfarm Payrolls	Mar	192	200	197k
	2030	US Change in Private Payrolls	Mar	192	200	188k
	2030	US Unemployment Rate	Mar	6.7	6.6	6.7%
	2030	US Underemployment Rate	Mar	12.7	-	12.6%
	2030	US Labor Force Participation Rate	Mar	63.2	-	63.0%
07 Apr	0830	TW CPI y/y	Mar		1.00	-0.05%
	1300	JP Leading Index CI	Feb P		108.8	113.1
	1300	JP Coincident Index	Feb P		113.4	115.2
	1430	AU Foreign Reserves AUD	Mar		-	51.8bn
	1600	TW Trade Balance USD	Mar		3.40	1.57bn
	1600	TW Trade Exports y/y	Mar		0.6	7.9%
	1600	TW Imports y/y	Mar		-0.8	4.9%
	1630	UK Lloyds Employment Confidence	Mar		-	-2
	1700	SG Foreign Reserves USD	Mar		-	274.0bn
	1800	MY Foreign Reserves USD	Mar 31		-	129.6bn
08 Apr	0300	US Consumer Credit USD	Feb		14.000	13.698bn
	0750	JP BoP Current Account Balance JPY	Feb		622.1	-1589.0bn
	0750	JP BoP Current Account Adjusted JPY	Feb		24.7	-588.3bn
	0750	JP Trade Balance BoP Basis JPY	Feb		-593.6	-2345.4bn
	1630	UK Industrial Production m/m	Feb		0.3	0.1%
	1630	UK Industrial Production y/y	Feb		2.2	2.9%
	1930	US NFIB Small Business Optimism	Mar		92.5	91.4
09 Apr	0700	SK Unemployment Rate sa	Mar		3.6	3.9%
	1630	UK Trade Balance Non EU GBP	Feb		-	-3900mn
	1630	UK Trade Balance GBP	Feb		-	-2565mn
	1900	US MBA Mortgage Applications	Apr 4		-	-1.2%
	2200	US Wholesale Inventories m/m	Feb		0.5	0.7%
	2200	US Wholesale Trade Sales m/m	Feb		-	-1.8%
10 Apr	0900	KRW Base Rate	Apr		2.50	2.50%
	0900	PH Exports y/y	Feb		-	9.3%
	0900	PH Exports USD	Feb		-	4382.0mn
	0930	AU Unemployment Rate	Mar		-	6.0%
	1201	MY Industrial Production y/y	Feb		0	3.6%
	1201	MY Manufacturing Sales Value y/y	Feb		-	12.3%
	1900	GBP Repo Rate	Apr		0.50	0.50%
	2030	US Initial Jobless Claims	Apr 5		-	-
	2030	US Continuing Claims	Mar 29		-	-
	2030	US Import Price Index m/m	Mar		0.2	0.9%
	2030	US Import Price Index y/y	Mar		-	1.1%

Melissa Sng
UOB Private Bank

Disclaimer

The information herein is given on a general basis without obligation and is strictly for information purposes only. It is not intended as an offer or solicitation with respect to the purchase or sale of any investment or insurance product mentioned herein. Nothing herein should be construed as a recommendation or advice to transact in any investment or insurance product of companies mentioned within.

Although every reasonable care has been taken to ensure the accuracy and objectivity of the information contained in this publication, the Company and its employees cannot be held liable for any errors, inaccuracies or omissions, howsoever caused, or for any decision or action taken based on the information or views expressed in this publication.

The Company does not warrant the accuracy, adequacy, timeliness or completeness of the information herein for any particular purpose, and expressly disclaims liability for any errors, inaccuracies or omissions. Any opinions, projections and other forward-looking statements regarding future events or performance of, including but not limited to, countries, markets or companies are not necessarily indicative of, and may differ from actual events or results.

The information herein has no regard to the specific objectives, financial situation and particular needs of any specific person. Investors may wish to seek advice from an independent financial adviser before investing in any investment or insurance product. Should you choose not to seek such advice, you should consider whether the investment or insurance product in question is suitable for you.

Any opinion or prediction reflect the writer's views as at the date of this document and may be subject to change without notice. UOB and its affiliates may have positions in, and may effect transactions in currencies and financial products mentioned therein.