



Review for week ending 11 July 2014

Equities

- **US equities closed higher on Friday as investors looked beyond the financial stress in Europe, and focused on the outlook for the second quarter earnings season.** The Dow Jones Industrial Average closed 0.73% lower and the S&P 500 closed 0.90% lower for the week.
- **European stocks were little changed on Friday, breaking a five-day losing streak,** amid increased takeover activity and as investors believed that the financial troubles of Banco Espirito Santo SA will not spill over into an euro-area banking crisis.
- **Most of the Asian stocks fell on Friday, due to concerns about the financial risks in Europe.** The Nikkei 225 was down 1.77% and the Hang Seng Index was down 1.33% for the week.

Fixed Income

- **US Treasuries strengthened, with their biggest weekly increase in four months, despite fears related to Portugal's largest bank, Banco Espirito Santo.** The 2-year yield slipped 0.6bps to 0.448% while the 10-year yield shed 2bps to 2.516% on Friday.

Commodities

- **Gold futures were up 1.27% for the week, closing at USD 1,337.40 per ounce.**
- **WTI crude fell to USD100.83 a barrel, with Brent tumbling to a three-month low of USD 106.66 per barrel as supply risks eased in Iraq and Libya and there were reports of high US stockpiles.**

Foreign Exchange Rates	Close	1W Change (%)	YTD Change (%)
AUD	0.9392	0.29%	5.69%
CAD	1.0734	0.76%	0.85%
CHF	0.8922	-0.21%	0.07%
EUR	1.3608	0.10%	0.10%
GBP	1.7116	-0.26%	3.32%
JPY	101.3000	-0.74%	-3.75%
NZD	0.8810	0.81%	0.81%
SGD	1.2410	-0.41%	-1.74%

Key Global Indices	Close	1W Change (%)	YTD Change (%)
Dow Jones Ind Avg	16,943.81	-0.73%	2.21%
S&P 500	1,967.57	-0.90%	6.45%
NASDAQ Composite	4,415.49	-1.57%	5.72%
Euro Stoxx 50	3,157.05	-3.47%	1.55%
FTSE 100	6,690.17	-2.56%	-0.87%
DAX	9,666.34	-3.42%	1.20%
Hang Seng Index	23,233.45	-1.33%	-0.31%
Straits Times Index	3,293.73	0.66%	3.99%
Nikkei 225	15,164.04	-1.77%	-6.92%
All Ordinaries	5,486.79	-0.69%	2.51%

Commodities	Close	1W Change (%)	YTD Change (%)
WTI Crude Futures	100.83	-3.10%	2.45%
Brent Crude Futures	106.66	-3.60%	-3.74%
Gold Futures	1,337.40	1.27%	11.24%
Reuters CRB Index	297.07	-3.15%	6.03%

Bond Yields	Close	1W Change	YTD Change
2Y US Treasury	0.448	-0.058	N/A
10Y US Treasury	2.516	-0.122	N/A
10Y JGB	0.542	-0.028	N/A
10Y Bund	1.200	-0.07	N/A
10Y Gilt	2.601	-0.156	N/A

Rates based on last trading day.
Source: Bloomberg

US

- The Conference Board said that its June employment trends index rose from an upwardly revised 119.03 in May to 119.62, confirming firmer labor demand last month. The index was up 6.3% y/y.
- US wholesale inventories increased 0.5% m/m in May (mkt est: +0.6%), due to increases in inventories of metals, autos, lumber and machinery. The component of the report that is part of the calculation of GDP, wholesale stocks excluding autos, grew 0.3% m/m.
- The minutes from the Fed's June policy meeting suggests that the central bank will conclude its bond-buying program in October, with a final USD15bn reduction, with the assumption that the economy grows as expected. The minutes still reiterates that the first rate hike in the Fed Funds Rate will likely come some time after quantitative easing ends and notes that "it would be useful for the FOMC to develop and communicate its plans to the public later this year, well before the first steps in normalizing policy become appropriate."
- According to the Department of Labor's monthly job openings and labor turnover survey (JOLTS), employers looked to fill 4.635 million jobs (mkt est: 4.35mln), an increase from April's 4.464mln.
- June's National chain-store sales fell 1.2% m/m, with the Johnson Redbook Sales Index also showing seasonally adjusted sales for the period improved 3.8% y/y.
- The US budget deficit continued its decline in June, with the federal government's deficit from October to June totaling \$366 billion, down 28% y/y.

Europe

- German industrial production came in weaker than expected in May, falling 1.8% m/m (mkt: 0.0% m/m), the third consecutive monthly decline, and at its fastest rate since April 2012. Industrial production dropped 2.8% on an adjusted monthly basis. There was weakness in the intermediate (-0.30% m/m), consumer (-3.5% m/m) and construction goods (-4.9% m/m) sectors.
- Due to the Ukraine-Russia conflict, and an unusually weak seasonal pick-up in the spring, Germany has warned that its economic growth rate slowed in the second quarter. The ministry said in its monthly report for July that, "a weak pick-up in spring was expected following a mild winter. This was accompanied by new geo-political uncertainties."
- Exports and imports for Germany fell in May, with exports declining 1.1% on an adjusted monthly basis, while imports dropped 3.4% on an adjusted monthly basis, the sharpest monthly decline since November 2012.
- Manufacturing orders in Germany fell more than expected in May, with orders declining 1.7% m/m (mkt est: -1.2%) in adjusted terms, although April's growth figure was revised to +3.4% (Prev: +3.1%). Eurozone orders within were strong, growing 5.7% while orders from outside the zone fell 5.2%.
- ECB President Mario Draghi asked for a new set of rules for Eurozone members, which would be applied to economic reforms and will have similar standards that govern borrowing by governments. He mentioned that the existence of euro-zone rules would assist governments in implementing reforms that are needed, which would "require substantial political capital."
- The Bank of England (BOE) left policy unchanged as expected, with no detailed statement to accompany the announcement. The official bank rate was maintained at 0.50%, and the volume of asset purchases was kept at GBP375bln.

- UK trade deficit widened from GBP 8.8bn in April to GBP 9.2bn in May, which was mainly due to a 1.7% m/m rise in imports as aircraft imports rose.
- UK industrial production came in weaker than expected for May, declining 0.7% m/m (mkt: +0.3% m/m). Manufacturing production, which makes up around three-quarters of industrial production, fell 1.3% m/m (mkt: +0.40% m/m).
- The UK office for National Statistics said that construction output was weaker than expected in May, falling 1.1% m/m (mkt est: +0.9% m/m). This weakness was due to a sharp fall in public non-residential work (-4.2% m/m) and soft private construction.
- UK factory output came in weaker than expected for May, with manufacturing output declining 1.3%, the first drop since November 2013 and the largest decline since January 2013. The broader measure of industrial production fell 0.7% m/m (mkt est: +0.3%), which is the largest drop since August 2013.

Elsewhere

- Australia's ANZ job advertisements rose 4.3% m/m in June, retracing the large decline in May, and returning to levels seen three months ago. Although there has been a recent soft patch, jobs ads are 6% higher than the beginning of the year, indicating that labor demand is improving slowly.
- Employment in Australia came in slightly better than expected for June, at +15.9K (mkt: +12K). The unemployment rate, however, rose unexpectedly to its cyclical high of 6% (mkt: 5.9%).
- Fitch Ratings raised New Zealand's credit rating outlook, from stable to positive, citing the nation's improving fiscal situation and supportive economy.
- China's exports growth came in weaker than expected, only slightly higher than May's reading of 7.0% y/y, with June's at 7.2% y/y (mkt: +10.4% y/y). The growth of imports was lower than expected at 5.5% y/y (mkt: 6.0% y/y).
- Japan's BoP current account balance for May came in at +¥522.8bn (mkt est: ¥ 417.5B), with the current account surplus for the fourth straight month. The data showed that Japan's trade deficit, the main factor weighing on the current account, shrank while the income on investments from overseas was strong.

Week Ahead (14th July -18th July)

The week ahead will see monetary policy decision of 2 major central banks from the developed economies, mainly the Bank of Japan (15 July and it includes an interim assessment), followed by Bank of Canada (16 Jul). 2 other very important events that the markets will focus on are the Fed Chair, Janet Yellen's semi-annual testimony to the US Senate Committee on Tuesday, 15 Jul 2014 at 10pm SGT, and later to the US House Committee on Wednesday, 16 Jul 2014 at 10pm SGT.

The key data for the US are the June advance retail sales (15 Jul), and the preliminary print for the July University of Michigan consumer confidence survey (18 Jul). Other key economic data from the developed economies include the German & Eurozone July ZEW survey (15 Jul), Japan June machine tools orders (15 Jul), UK June CPI and PPI (15 Jul), Eurozone final print for June CPI (17 Jul) and Japan's June department sales (17 Jul).

Economic Indicators						
Date	Time	Indicators	Month	Actual	Market Forecast	Previous
14 Jul	0800	SG GDP y/y	2Q A		3.1	4.9%
	0800	SG GDP q/q saar	2Q A		2.4	2.3%
15 Jul	1300	SG Retail Sales y/y	May		-8.2	-9.0%
	1300	SG Retail Sales m/m sa	May		2.8	-0.7%
	2030	US Retail Sales Advance m/m	Jun		0.6	0.3%
	2030	US Empire Manufacturing	Jul		17.25	19.28
	2030	US Retail Sales Ex Auto m/m	Jun		0.5	0.1%
	2030	US Import Price Index m/m	Jun		0.4	0.1%
	2030	US Import Price Index y/y	Jun		-	0.4%
16 Jul	1000	CN Retail Sales y/y	Jun		12.5	12.5%
	1000	CN Industrial Production y/y	Jun		9.0	8.8%
	1000	CN GDP YTD y/y	2Q		7.4	7.4%
	1000	CN GDP q/q sa	2Q		1.8	1.4%
	1000	CN GDP y/y	2Q		7.4	7.4%
	1630	UK Claimant Count Rate	Jun		-	3.2%
	1630	UK Jobless Claims Change	Jun		-	-27.4k
	1630	UK ILO Unemployment Rate 3Mths	May		-	6.6%
	1700	MY CPI y/y	Jun		-	3.2%
	1900	US MBA Mortgage Applications	Jul 11		-	1.9%
	2030	US PPI Final Demand m/m	Jun		0.2	-0.2%
	2030	US PPI Ex Food and Energy m/m	Jun		0.2	-0.1%
	2030	US PPI Final Demand y/y	Jun		-	2.0%
	2030	US PPI Ex Food and Energy y/y	Jun		-	2.0%
	2100	US Net Long-term TIC flows USD	May		-	24.2bn
	2100	US Total Net TIC flows USD	May		-	136.8bn
	2115	US Industrial Production m/m	Jun		0.3	-0.3%
	2115	US Capacity Utilization	Jun		79.3	78.9%
	2200	US NAHB Housing Market Index	Jul		50	49
17 Jul	0830	SG NODX y/y	Jun		-1.4	-6.6%
	0830	SG NODX m/m sa	Jun		6.2	-7.5%
	1630	HK Unemployment Rate sa	Jun		3.1	3.1%
	2030	US Housing Starts	Jun		1020	1001k
	2030	US Initial Jobless Claims	Jul 12		-	-
	2030	US Building Permits	Jun		1048	1005k
	2030	US Continuing Claims	Jul 5		-	-
	2200	US Philadelphia Fed Business Outlook	Jul		15.3	17.8
18 Jul	0930	CN June Property Prices	-		-	-
	0945	CN MNI July Business Outlook	-		-	-
	1530	TH Foreign Reserves	Jul 11		-	-
	2155	US Univ. of Michigan Confidence	Jul P		83.5	82.5
	2200	US Leading Index	Jun		0.5	0.5%

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