



Review for week ending 13 June 2014

Equities

- **US equities edged up marginally on Friday, buoyed by improved forward guidance from Intel but posted their first weekly decline in four weeks as investors turned their attention to escalating tensions in Iraq and surprise drop in US consumer confidence.** The Dow Jones Industrial Average, S&P 500 and Nasdaq were down 0.88%, 0.68% and 0.25% for the week.
- **Europe markets also ended lower for the week, on concerns that the violence in Iraq could disrupt global oil supplies.** The Euro Stoxx 50 was down 0.35% for the week.
- **Asia equities were mixed amid tensions in Iraq and improving economic activity in China.** The Hang Seng Index rose 1.6% for the week.

Fixed Income

- **US Treasury prices were lower on Friday on Bank of England's Governor Mark Carney's signal for rate hike.** The yield on 10-year US Treasury rose 0.8bps on Friday to end at 2.603%.

Commodities

- **Gold futures were up 1.73% for the week, lifted by the growing turmoil in Iraq.**
- **WTI crude oil futures posted their largest weekly gain of 4.14%,** as violence in Iraq created uncertainty in global oil supplies.

Foreign Exchange Rates	Close	1W Change (%)	YTD Change (%)
AUD	0.9402	0.74%	5.81%
CAD	1.0855	-0.70%	1.98%
CHF	0.9001	0.73%	0.95%
EUR	1.3540	-0.75%	-0.75%
GBP	1.6968	0.99%	2.43%
JPY	102.0400	-0.43%	-3.05%
NZD	0.8664	1.92%	1.92%
SGD	1.2511	-0.06%	-0.94%

Key Global Indices	Close	1W Change (%)	YTD Change (%)
Dow Jones Ind Avg	16,775.74	-0.88%	1.20%
S&P 500	1,936.16	-0.68%	4.75%
NASDAQ Composite	4,310.65	-0.25%	3.21%
Euro Stoxx 50	3,282.84	-0.35%	5.59%
FTSE 100	6,777.85	-1.17%	0.43%
DAX	9,912.87	-0.74%	3.78%
Hang Seng Index	23,319.17	1.60%	0.05%
Straits Times Index	3,293.25	-0.19%	3.97%
Nikkei 225	15,097.84	0.14%	-7.33%
All Ordinaries	5,405.05	-1.08%	0.99%

Commodities	Close	1W Change (%)	YTD Change (%)
WTI Crude Futures	106.91	4.14%	8.63%
Brent Crude Futures	113.41	4.42%	2.36%
Gold Futures	1,273.70	1.73%	5.94%
Reuters CRB Index	309.98	1.55%	10.64%

Bond Yields	Close	1W Change	YTD Change
2Y US Treasury	0.449	+0.0305	N/A
10Y US Treasury	2.603	0.000	N/A
10Y JGB	0.602	+0.015	N/A
10Y Bund	1.363	+0.005	N/A
10Y Gilt	2.745	+0.175	N/A

Rates based on last trading day.

Source: Bloomberg

US

- The National Federation of Independent Business (“NFIB”) Small Business Optimism Index rose 1.4 points to 96.6 last month, the highest reading since September 2007 as well as the third consecutive monthly increase. Within the index of 10 components, 5 advanced and posted big gains in sales and earnings expectations.
- April JOLT job openings climbed to the highest since September 2007, as employers sought more workers amid a rebounding economy. The number of job vacancies in the US rose by 289,000 to 4.46 mil in April, higher than the projected 4.05mil.
- April wholesale inventories rose 1.1%, the same pace as March. Wholesale inventories excluding autos – the component that contributes to calculation of GDP – also climbed 1.1%, increasing expectations that inventories will buoy growth in 2Q.
- US retail sales rose 0.3% m/m in May, below analyst expectations of 0.6% but maintaining its fourth consecutive month of increase. Strength in auto and housing-related industries led the increase. Compared with the year prior, retail sales climbed 4.3%.
- US consumer confidence, as measured by University of Michigan, weakened slightly in the preliminary June reading. The index fell to 81.2 from 81.9 in May, but is still largely trending higher from the start of the year.

Europe

- Euro zone industrial production was up 0.8% m/m and 1.4% y/y in April. Looking at the components, energy rose 2.5% m/m, non-durable consumer goods climbed 2.1% m/m and intermediate goods increased 0.6% m/m while durable consumer goods and capital goods was almost unchanged in April. On a geographical basis, Portugal and Netherlands posted the highest pace of 6.7% and 3.5% respectively, while Malta and Finland were the only countries registering declines of -6.0% and -0.3% respectively. UK industrial production rose 0.4% m/m/3.0% y/y in April, the fastest annual pace since January 2011.
- France's current account deficit widened to EUR 1.6bil in April, from EUR 1.5bil in March. Although trade deficit narrowed to EUR 3bil (from EUR 1.5bil), surplus in the services trade account dropped to EUR 2.1bil (from EUR 2.9bil).
- The UK job market continues to show signs of improvement as the number of unemployed fell by 161,000 to 2.16 mil in the 3 months to April, bringing the unemployment rate down to 6.6%. Quarterly wage growth however remains weak, slowing to 0.7% from 1.9% in the March.

Elsewhere

- Japan's 1Q2014 GDP was revised upwards to 1.6% q/q (initial estimate: 1.5% q/q), mainly due to a large upward revision in private capital investment growth to 7.6% q/q (initial estimate: 4.9% q/q).
- Japan's current account balance turned around from deficit in March (JPY782.9bil) to surplus of JPY130.5bil in April. This was the first current account surplus in four months. Although trade balance remained in deficit, there was a marked improvement as trade deficit narrowed significantly from JPY1.5667tril in March to JPY831.4 in April.
- The Bank of Japan kept monetary policy steady at the policy meeting on 12-13 June and offered a slightly more upbeat view on overseas growth, signaling confidence that the economy was on track to meet its

inflation target next year without additional stimulus. In a separate move, Prime Minister Shinzo Abe unveiled a plan to cut the corporate tax rate to below 30% in stages over a few years.

- China's inflation rose 2.5% y/y in May, the fastest pace in four months and higher than 1.8% y/y in April and analyst expectations of 2.4% y/y. The higher inflation was mainly driven by higher food prices. Inflation remains below the government's full-year target of 3.5%, leaving scope for monetary stimulus to support economic growth.
- China's May retail sales grew 12.5% y/y, compared to 11.9% y/y in April and analyst expectations of 12.1% y/y. China's Industrial production in May, a closely-watched indicator of manufacturing activity, grew 8.8% y/y, slightly higher than 8.7% y/y in April.
- The People's Bank of China announced a 0.5% cut in reserve requirements for some banks. This takes effect on 16 June and is applicable to two-thirds of city commercial banks, 80% of non-county level rural commercial banks and 90% of non-county level rural cooperative banks.
- In the latest Global Economics Prospects report, the World Bank revised its global growth forecast downwards to 2.8% (from 3.2% projection in January), amid weaker outlooks for the BRICs and the US. The World Bank trimmed US growth forecast from 2.8% to 2.1%, China GDP growth from 7.7% to 7.6% and downgraded outlooks for the BRIC. The World Bank also called on emerging markets to strengthen their economies before the US Fed Reserve increases interest rates.
- Equity Index provider, MSCI Inc, said that it will not add China's locally traded shares ("A shares") to its emerging market index while South Korea and Taiwan will also be removed from its review list for reclassification from emerging market index to developed market index. Main resistance stems from lack of convertibility of local currencies and market inaccessibility.
- The International Monetary Fund ("IMF") announced on 11 June the launch of a new webpage – the Global House Price Watch - to monitor property prices and housing indicators across countries, with the aim of preventing asset bubbles and financial crises. This IMF index will cover 51 countries, including a dozen from the Asia-Pacific region, which is prone to property price boom and bust cycles, like Australia, China, Hong Kong, India, Indonesia, Malaysia, New Zealand, the Philippines, Singapore and Thailand.
- The Reserve Bank of New Zealand ("RBNZ") increased its official cash rate by 25bps to 3.25%, in a widely expected move. This was the third time in four months that the RBNZ has raised the rate. The accompanying statement also suggested more tightening to come as Governor Graeme Wheeler indicated that "It is important that inflation expectations remain contained and that interest rates return to a more neutral level".

Week Ahead (9th June-13th June)

The key highlight for this coming week will be the US Federal Reserve's FOMC meeting (17-18 June), which will be accompanied by the Federal Reserve Chair Janet Yellen's post-FOMC press conference and review of the latest FOMC projections. Key US data include the May CPI Inflation (17 June), US housing market data like the May NAHB housing market index (16 June), weekly MBA mortgage applications (18 June), May housing starts (17 June) and May building permits (17 June). Outside of US housing data, economic release to look out for include the June Empire manufacturing survey (16 June) and June Philadelphia Fed business outlook survey (19 June).

Key economic data from other developed economies include the final print for euro-zone May CPI (16 June), Japan May machinery tool orders (17 Jun), Japan May export, import, trade balance (18 June) and euro-zone June consumer confidence (20 June).

Economic Indicators						
Date	Time	Indicator	Month	Actual	Market Forecast	Previous
13 Jun	1000	SG Unemployment Rate	1Q F	2.0	2.1	2.1%
	1330	CN Retail Sales y/y	May	12.5	12.1	11.9%
	1330	CN Industrial Production y/y	May	8.7	8.8	8.7%
	1530	TH Foreign Reserves USD	Jun 6	166.9	-	167.5bn
	1630	HK Industrial Production y/y	1Q	2.1	-	0.5%
	1630	HK PPI y/y	1Q	-6.3	-	-5.5%
	2030	US PPI Final Demand m/m	May	-0.2	0.1	0.6%
	2030	US PPI Ex Food and Energy m/m	May	-0.1	0.1	0.5%
	2155	US Univ of Michigan Confidence	Jun P	81.2	83.0	81.9
16 Jun	2030	US Empire Manufacturing	Jun	-	15.00	19.01
	2100	US Net Long-term TIC Flows USD	Apr	-	-	4.0bn
	2115	US Industrial Production m/m	May	-	0.5	-0.6%
	2115	US Capacity Utilization	May	-	78.8	78.6%
	2115	US Manufacturing (SIC) Production	May	-	-	-0.4%
	2200	US NAHB Housing Market Index	Jun	-	47	45
17 Jun	0830	SG NODX y/y	May	-	-	0.9%
	0830	SG NODX m/m sa	May	-	-	9.0%
	1630	UK RPI m/m	May	-	-	0.4%
	1630	UK RPI y/y	May	-	-	2.5%
	1630	HK Unemployment Rate sa	May	-	-	3.1%
	2030	US CPI m/m/	May	-	0.2	0.3%
	2030	US CPI Ex Food and Energy m/m	May	-	0.2	0.2%
	2030	US CPI Core Index sa	May	-	-	237.163
	2030	US Housing Starts m/m	May	-	-3.4	13.2%
	2030	US CPI Index nsa	May	-	-	237.072
	2030	US Building Permits m/m	May	-	1.0	5.9%
18 Jun	0750	JP Trade Balance JPY	May	-	-	-811.7bn
	0750	JP Exports y/y	May	-	-	5.1
	0750	JP Imports y/y	May	-	-	3.4
	1530	THB 1-Day Repo	Jun	-	-	2.00%
	1900	US MBA Mortgage Applications	Jun 13	-	-	-
	2030	US Current Account Balance	1Q	-96.6	-	-81.1bn
19 Jun	0200	US Fed QE3 Pace USD	Jun	-	-	45bn
	0200	USD Fed Funds Rate	Jun	-	0.25	0.25%
	0645	NZ GDP/q sa	1Q	-	-	0.9%
	0645	NZ GDP y/y	1Q	-	-	3.1%
	1230	JP All Industry Activity Index m/m	Apr	-	-	1.5%
	1600	PH Reverse O/N Repo	Jun	-	-	3.50%
	2030	US Initial Jobless Claims	Jun 14	-	-	-
	2030	US Continuing Claims	Jun 7	-	-	-
	2200	US Leading Index	May	-	0.6	0.4%

Ng Peiting, CFA
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.