

# Market Snapshot

Thursday, 03 October 2013

## Deal Or No Deal? Dysfunctional DC Plays the Debt Blame Game

### Key Global Indices

Index	Last	Change (%)	YTD (%)
US DJIA	15133.14	-0.39	15.48
US S&P 500	1693.87	-0.07	18.77
US NASDAQ	3815.02	-0.08	26.35
UK FTSE 100	6437.50	-0.35	9.15
Nikkei 225	14170.49	-2.17	36.32
Europe DJ STOXX 600	310.79	-0.66	11.12

### Asia & Emerging Markets

Index	Last	Change (%)	YTD (%)
Singapore STI	3152.58	-0.91	-0.46
Hong Kong Hang Seng	22984.48	0.55	1.45
Shanghai SE Composite	2174.67	0.00	-4.16
India Sensex	19517.15	0.00	0.47
Taiwan TWSE	8216.52	0.36	6.71
Malaysia KLCI	1770.35	0.07	4.82
Korea KOSPI	1999.47	0.03	0.12
Indonesia JCI	4387.60	0.96	1.64
Thailand SET	1408.99	0.06	1.23
Brazil BOVESPA	53100.18	-0.15	-12.88
Russia RTS	1421.94	-1.12	-6.88

### Fixed Income

	Last	Previous Day Close	Change (bps)
2-yr US Treasury	0.32	0.33	-1.18
5-yr US Treasury	1.38	1.43	-4.71
10-yr US Treasury	2.62	2.65	-3.27
3M Sibor	0.39	0.38	1.05
3M Libor	0.24	0.25	-0.15

### iBoxx US Treasuries TR Index (USD)



Source: Bloomberg, iBoxx Limited.

Data stated in local currency terms and is as of the last business day.

### Global Equities

Wall Street fell on the second day of the partial US government shutdown, with no sign of any impending agreement between President Barack Obama and his Congressional opponents over how to fix this budget crisis. Both sides refused to budge and played the blame game. President Obama cancelled his Asia tour to negotiate with a Republican-held House of Representatives, and said Wall Street "should be concerned," according to CNBC. He found an unlikely ally in Goldman Sachs chief Lloyd Blankfein, who laid the blame on Republicans wanting a change to a controversial healthcare act. Bank of America CEO Brian Moynihan said it wasn't just the budget Americans should be concerned about, but the looming USD16.7 trillion debt ceiling. Moynihan said the US not paying its debt was the "most serious thing we have" and that the ramifications would be felt far and wide. Overnight, the DJIA fell 0.4% while the S&P 500 and the Nasdaq narrowed 0.1%. Adding to the bad news: a weak jobs report by ADP (*\*more below in Bonds*), now especially important because the shutdown means the government won't release payrolls data.

This budget crisis, which has yet to be resolved and is causing an estimated USD300 million in lost economic output each day, is the undercard to the main event – the debt ceiling. The US is likely to hit its debt limit by mid-October. If Mr. Obama, a Democrat, fails to sway Republicans into buying his budget plan, there are chances that the more crucial debt negotiations between the same parties may go down a similar path. America paying its debt on time has made its government bonds the safest of safety plays. If it defaults, like it almost did in 2011, the global economy reliant on the safety net of American debt will be shaken. 2011's near default cost the US to lose its highest debt rating.

**Europe** felt the ripple effect of the US shutdown with the DJ Stoxx 600 plummeting to its biggest daily slide in a month. Italy's good news failed to stop the red numbers. PM Enrico Letta survived a no-confidence vote after the party of former premier Silvio Berlusconi backed down from pulling out of government. Italy is the Europe's largest bond issuer and its third largest economy. Meanwhile, the ECB left its benchmark rate unchanged at a record low 0.5% (*\*more below in Currencies*)

### Southeast Asia

Southeast Asia stocks were mixed on concerns over how the US political malaise would play out. **Singapore's** STI fell 1% despite manufacturing output for September staying in expansionary territory while **Malaysia's** KLCI ticked 0.1% up. **Indonesia's** JCI added 1%.

### North Asia

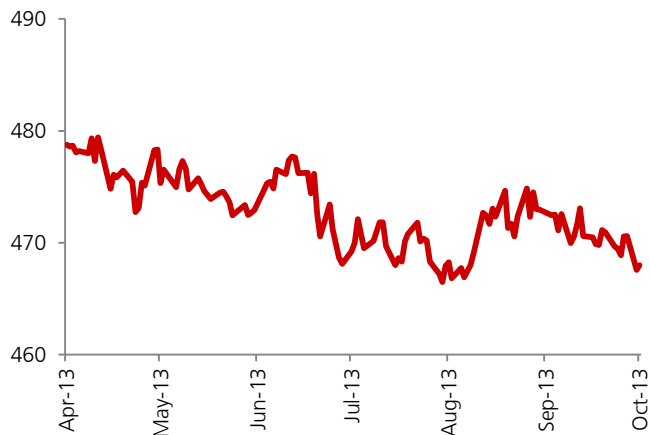
**Hong Kong's** Hang Seng was up sharply throughout the day until the final hour of trading when Europe opened. That opening brought fears of an ECB rate cut and a no-confidence vote on the government of Prime Minister Enrico Letta. Still, the HSI closed 0.6% higher with no immediate reaction to Day 1 of the US government shutdown.

**Tokyo** stocks slid to multi-week lows as traders cast a pessimistic eye on how long it would take for US politicians to resolve their debt and budgetary crisis. SoftBank gained 4% on continued interest after its acquisition of Sprint Nextel and the impending listing of Alibaba. SoftBank is the biggest shareholder in the China online mart.

**China** remains closed for a weeklong holiday.

**Commodities**

	Last	O/N Change (%)	52-week High	52-week Low
<b>Gold</b>	1316.03	2.21	1796.08	1180.57
<b>Crude oil</b>	104.10	2.02	112.24	84.05
<b>Wheat</b>	686.00	0.70	916.50	623.00
<b>Corn</b>	439.00	0.00	800.00	435.00
<b>Soybean</b>	1273.75	0.45	1630.00	1263.50
<b>Sugar</b>	492.20	0.72	582.50	456.70
<b>Coffee</b>	114.45	0.31	200.00	113.20

**Commodities Research Bureau (CRB) Index**

Source: Bloomberg, iBoxx Limited

Data stated in local currency terms and is as of the last business day where applicable. O/N represents overnight.

**South Asia**

India markets were closed for a national holiday.

**Fixed Income**

Benchmark US Treasuries rose, pushing yields to a seven-week low after a private-sector report for September showed weakness. The private ADP report said the US private sector added 166,000 jobs last month, missing a Dow Jones consensus of estimates hoping for a 178,000 increase. Employment is an important factor for the US Federal Reserve in determining the pace and breadth of the US economic recovery.

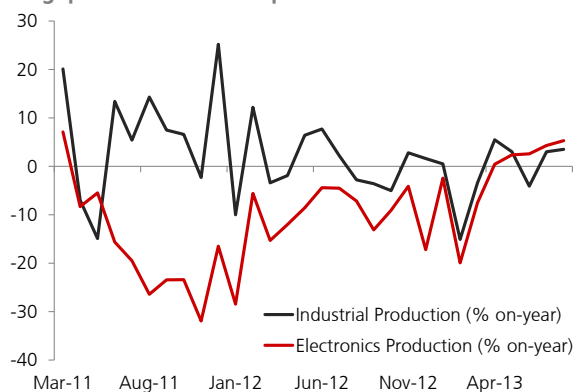
The Fed has implicitly tied its easy money programme to jobs data. The ADP report is especially important because the US government shutdown means the US Labor Department will not release the September non-farm payrolls report. Construction and factory orders data will also be shelved until warring politicians compromise over their ideological differences. Benchmark notes gained 7/32 to yield 2.62%. Bonds move inversely to their yields.

**Commodities**

Crude oil closed higher in floor trade after Transcanada Corp. said the southern leg of its ultra-long Keystone XL pipeline was near completion. The pipeline stretches from Alberta, Canada to the southern US states in the Gulf of Mexico where it will be processed. The weekly US government inventory report also showed a slight decline in stockpiles, boosting prices.

Gold futures strengthened on bets a US government shutdown would last a bit longer, and prompt the US Federal Reserve to maintain their USD85 billion a month quantitative easing measures.

Sources: Bloomberg, DBS Group Research and Vickers (DBS), Dow Jones Newswires, Reuters

**INSIGHTS****Singapore: Manufacturing Output Confirms 3Q GDP Contraction****Singapore Industrial Output**

Source: Bloomberg, as of 2 October 2013

Singapore's August industrial output has more or less confirmed a sequential GDP contraction in the third quarter. The headline industrial production index was down by 1.4% on-month seasonally adjusted, the third consecutive month of decline. On a year-on-year basis, though output was 3.5% higher, it came in below market expectations of a 4.9% expansion.

Production in the key electronics cluster has been lacklustre. Though the cluster still put up a yearly output expansion of 5.3%, it's mainly due to a low base effect. At the level terms, electronics output has been shrinking for three consecutive months and external economic conditions probably do not suggest a strong pickup in the near-term except for a likely one-off uptick in October-November due to the year-end festive season demand.

And the biomedical segment is undergoing a cyclical doldrum. Production levels have bottomed in July and stagnated in August. Though a rebound can be expected in September due to the volatile nature of this industry,

there is a lack of fundamental catalysts for a strong showing. This set of numbers has confirmed our long held view that the global outlook remains dicey and the growth path ahead is not that rosy. Expectations have run ahead of underlying fundamentals in the developed economies and Asia is grappling with some of its own domestic consolidations. This will affect the growth outlook of the Singapore economy.

While there are nascent signs of recovery, high frequency data such as the non-oil domestic exports and the industrial production index will be constant reminders that it is going to be a slow grind instead. The longer term growth trajectory will remain flat whereas higher frequency data will be running sideways.

Source report: DBS Group Research. Daily Breakfast Spread. 27 September 2013. (Summarised by DBS Group Wealth Management /CIO Office.)

## FX Pulse

### FX Round-up

	Last	O/N Change (%)	O/N High	O/N Low
EUR/USD	1.3579	0.39	1.3607	1.3505
USD/JPY	97.36	-0.65	98.09	97.15
AUD/USD	0.9385	-0.14	0.9412	0.9334
NZD/USD	0.8330	0.65	0.8333	0.8194
GBP/USD	1.6223	0.17	1.6251	1.6163
USD/SGD	1.2484	-0.27	1.2542	1.2483
USD/CNY	6.1212	-0.01	6.1239	6.1182
AUR/AUD	1.4468	0.53	1.4544	1.4366
AUD/SGD	1.1716	-0.42	1.1780	1.1672
NZD/SGD	1.0398	0.37	1.0403	1.0267
GBP/SGD	2.0252	-0.10	2.0322	2.0237
AUD/NZD	1.1265	-0.79	1.1427	1.1265
EUR/SGD	1.6952	0.12	1.6992	1.6900
EUR/GBP	0.8370	0.22	0.8382	0.8334

### Currencies

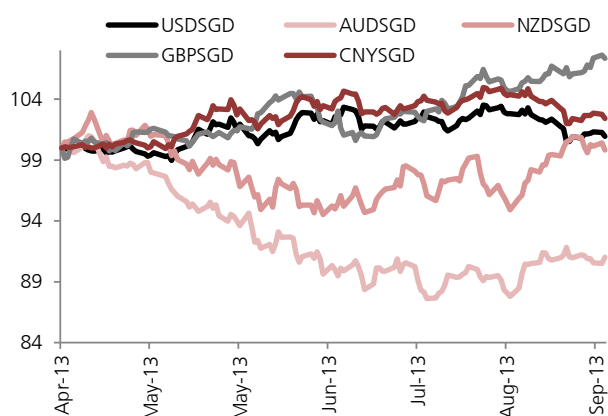
The US dollar fell against its major peers as sparring US politicians played the blame game over the shutdown. There is no immediate indication the US government shutdown is nearing its end. Around 0.2 percentage points are shaved off US GDP for every week of this current closure, reports said.

The pound hit its highest level in nine months against the greenback. The GBP was boosted by the Markit Economics index of building activity, which showed UK's September numbers were at 58.9 from August's 59.1. Both are above the 50 threshold for expansion since May.

The euro held gains after European Central Bank chairman Mario Draghi refrained from saying there was more need for stimulus measures. The single currency was also buoyed by Italy Prime Minister Enrico Letta winning a confidence vote in parliament.

Sources: Bloomberg News, Dow Jones Newswires, Reuters.

### SGD VERSUS MAJOR CURRENCIES



Source: Bloomberg  
Data stated in local currency terms and is as of the last business day where applicable. O/N represents overnight.

### TECHNICAL SUMMARY

Currency	Short term Direction	Support 1	Support 2	Resistance 1	Resistance 2
EUR/USD	Bullish	1.3460	1.3335	1.3711	1.3835
GBP/USD	Bullish	1.6115	1.5952	1.6260	1.6380
USD/JPY	Range	96.83	95.79	98.72	99.67
AUD/USD	Bullish	0.9288	0.9205	0.9460	0.9528
NZD/USD	Bullish	0.8215	0.8136	0.8341	0.8435
USD/CAD	Bearish	1.0272	1.0179	1.0357	1.0468
USD/SGD	Bearish	1.2416	1.2300	1.2542	1.2581
AUD/SGD	Range	1.1654	1.1416	1.1807	1.1880
NZD/SGD	Bullish	1.0302	1.0200	1.0452	1.0503
GBP/SGD	Bullish	2.0175	1.9950	2.0400	2.0678
EUR/SGD	Range	1.6853	1.6720	1.7016	1.7205
EUR/AUD	Range	1.4186	1.3950	1.4558	1.4697
AUD/NZD	Bearish	1.1185	1.1024	1.1414	1.1553
XAU/USD	Range	1272	1235	1343	1374

Source: DBS CIO Office

Note: These are short-term technical readings with a two-week horizon. All figures are as of last business day.

**Economic Calendar – 03 October 2013**

Country	Event	Period	Survey	Actual	Prior
HK	Retail Sales Volume (YoY)	Aug	10.50%	--	8.90%
US	Initial Jobless Claims	Sep-28	313K	--	305K
US	ISM Non-Manf. Composite	Sep	57.0	--	58.6
EZ	PMI Composite	Sep, F	52.1	--	52.1

Source: Bloomberg

**Focus**

Europe is set to release its PMI numbers. **DBS** is Overweight Europe equities on a 3M and 12M basis

**Bond risk rating changes**

Effective	Bond Name	Issuer	Risk rating		Reason
			New	Existing	
25/09/2013	PROMBK 10.2 11/06/19	PROMSVYAZBK(PSB FINANCE)	5	4	Moody's downgraded the paper credit rating from Ba3 to B1
30/09/2013	COOPWH 5 5/8 07/08/20	CO-OP GRP HLDS	5	4	S&P downgraded paper rating from BB- to B

Information updated as of 30 September 2013.

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