

Market Snapshot

Monday, 15 July 2013

US Equities Up as World Waits for China GDP Data

Key Global Indices

Index	Last	Change (%)	YTD (%)
US DJIA	15464.30	0.02	18.01
US S&P 500	1680.19	0.31	17.81
US NASDAQ	3600.08	0.61	19.23
UK FTSE 100	6544.94	0.02	10.97
Nikkei 225	14506.25	0.23	39.55
Europe DJ STOXX 600	296.20	-0.11	5.91

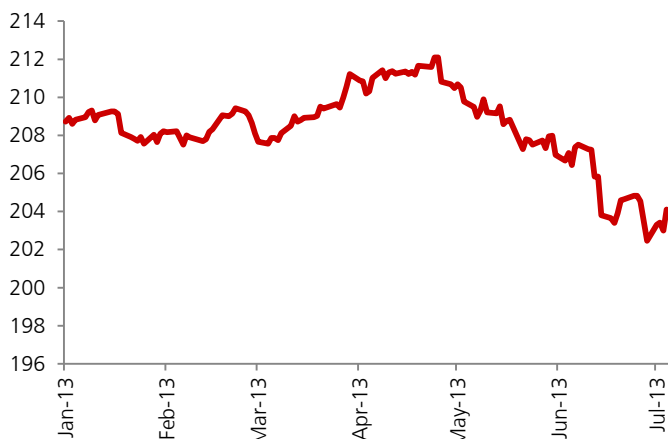
Asia & Emerging Markets

Index	Last	Change (%)	YTD (%)
Singapore STI	3236.06	-0.40	2.18
Hong Kong Hang Seng	21277.28	-0.75	-6.09
Shanghai SE Composite	2039.49	-1.62	-10.12
India Sensex	19958.47	1.44	2.74
Taiwan TWSE	8220.49	0.50	6.77
Malaysia KLCI	1785.65	0.25	5.73
Korea KOSPI	1869.98	-0.41	-6.36
Indonesia JCI	4633.11	0.63	7.33
Thailand SET	1453.71	0.46	4.44
Brazil BOVESPA	45533.24	-2.34	-25.30
Russia RTS	1348.81	1.97	-11.67

Fixed Income

	Last	Previous Day Close	Change (bps)
2-yr US Treasury	0.34	0.33	0.99
5-yr US Treasury	1.42	1.39	2.79
10-yr US Treasury	2.58	2.57	1.00
3M Sibor	0.37	0.37	-0.01
3M Libor	0.27	0.27	-0.05

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

US ticked up after banking giants JPMorgan Chase and Wells Fargo both reported decent revenue and profit figures to close the first week of earnings season on Wall Street. The DJIA was flat while the S&P 500 closed 0.3% higher and the Nasdaq rose 0.6%. Later Monday, China's 2Q GDP and industrial numbers begin a heavy data week with Fed chairman Ben Bernanke scheduled to testify to Congress.

JPMorgan said 2Q profit came in at USD6.5 billion, a 31% increase on-year, while Wells Fargo reported a 20% jump in profit to USD5.27 billion. These helped fuel a 3% gain for the week on the S&P, its biggest weekly jump in seven months. The earnings came on the back on Federal Reserve chairman Ben Bernanke's statement that its huge bond-buying programme would remain intact for some time to come.

Europe markets were little changed as investors across the Atlantic adopted a wait-and-see approach to earnings season in the US. Despite bellwethers Alcoa, JPMorgan and Wells Fargo beginning the season well, investors chose to sit and wait. The DJ Stoxx 600 fell 0.1% while the Frankfurt DAX rose 0.7%.

Southeast Asia

Southeast Asia markets closed mixed with **Singapore's** STI falling 0.4% on profit-taking despite the city state's good 2Q GDP numbers. **Malaysia's** KLCI ticked 0.2% up, while **Indonesia's** JCI jumped 0.6%.

North Asia

Japan shares rose a tad on Friday after the Bank of Japan signalled confidence in Prime Minister Shinzo Abe's economic policies. A steady USD also helped some of the country's listed exporters post gains. The Nikkei is now up 16% from its technical plunge into bear territory in the third week of May, and is close to entering another bull market. **DBS** is Overweight Japan stocks on a 3M basis.

China stocks plummeted on Friday to pare its best weekly gain since early May ahead of Beijing's 2Q GDP data release. The GDP data will be released later Monday, and already officials are saying they are willing to accept lower GDP numbers for longer-term growth. Finance Minister Lou Jiwei was the latest to chime in over the weekend, saying he believe 2013 growth estimates would be around 7% but it may not be the "bottom line", the BBC reported him as saying from Washington. In other economic news, China announced loosened capital flow rules that allow foreign funds to double their access to financial markets. The central bank also said money supply growth and the "shadow banking" industry had slowed markedly. **DBS** is Neutral China equities on a 3M basis.

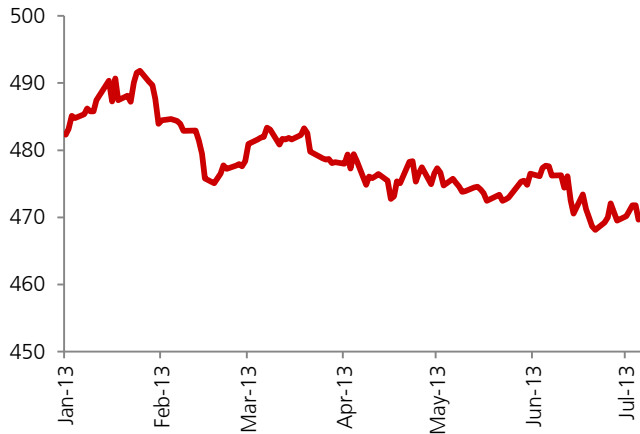
Hong Kong shares fell ahead of China's GDP data release later today. The Hang Seng fell 0.8% after two straight sessions in the green as mainland-linked tickers led the falls. China 2Q GDP could slow further, adding to concerns over its long-term growth path and strategy.

Taiwan stocks closed the week 0.5% up to sit close to its five-week high. This week, tech giant TSMC is scheduled to report 2Q earnings, and could provide fresh cues to a market searching for new bull signals.

Commodities

	Last	O/N Change (%)	52-week High	52-week Low
Gold	1285.59	-0.03	1796.08	1180.57
Crude oil	105.95	0.99	107.45	84.05
Wheat	675.50	-0.55	947.25	643.75
Corn	701.50	-2.13	843.75	626.50
Soybean	1563.25	-2.37	1794.75	1354.50
Sugar	461.20	-0.15	602.20	461.10
Coffee	119.40	-3.24	202.05	117.10

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's Sensex closed to its highest level in over seven weeks as technology giant Infosys kept its revenue outlook. Infosys reported 2Q net profit was 3.7% higher on-year, beating estimates.

Fixed Income

US Treasuries fell on Friday, but still posted its best weekly rally in over three months. Investors are still grappling with the timing and pace of the US Federal Reserve's bond-buying programme. The market may sit and wait until after Fed chairman Ben Bernanke's testimony before Congress mid-week. On Friday, the benchmark 10-year note was down 2/32 to yield 2.58%.

Commodities

Crude on the Nymex kept gains ahead of China's mammoth data dump later today that should see lower industrial production numbers in the world's second largest consumer of crude.

Gold futures slipped to narrow gains for week after a four-day rally that has seen bullion rise by as much as 5.5%. The fall came after Fed chairman Ben Bernanke appeared to say that there would be no stimulus slowdown in the near future.

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

ASIAN INSIGHTS

Taiwan: Fed Tightening Effect Limited

Equity Price Indices: Taiwan vs. US

TAIEX (LHS) | US tightening 1994-1995 | US tightening 2004-2006 | S&P 500 (RHS)

Source: DBS Group Research

The US Federal Reserve offered a possible timetable for exiting quantitative easing at the FOMC policy meeting in June – reducing asset purchases from later this year and ending the purchase program in mid-2014.

Markets are now expecting the Fed to begin to hike rates from Mar 15, as implied by Fed fund futures. Investors' concerns about the Fed's policy normalisation have caused heightened volatility in Asia's financial markets over the past month. Equity prices have fallen, bond yields have risen and Asian currencies have depreciated against the US dollar.

Taiwan is not immune to the risks of higher US interest rates and capital outflows from the emerging markets. But compared to other countries in the region, we think Taiwan's vulnerability level is low because of the following three key reasons.

First, unlike the Asean economies, Taiwan did not receive large foreign capital inflows during the post-2008 QE episodes. Therefore, the pressures of outflows should be limited.

Second, unlike in Hong Kong and Singapore, Taiwan's central bank has considerable control over domestic interest rates. When US rates go up, there is room for the CBC to take a calibrated approach to domestic rate hikes and to tolerate some degree of currency weakness, as Taiwan's inflation is low and its exposure to foreign-currency debt is also small.

Last but not least, the Fed's policy normalisation should be based on the preconditions the US economy will boost demand for Asia's exports. Taiwan should benefit more than most, thanks to its large trade exposure to US and the pro-cyclical nature of its exports.

As far as specific asset classes are concerned, Taiwan's equities should be relatively susceptible to changing global conditions and a reversal in international capital flows. Foreign participation in Taiwan's equity market is not low. Since the Fed launched the quantitative easing program in 2008, foreign inflows into Taiwanese equities increased by USD17.4 billion over the past four years (BOP statistics). Foreign ownership in the TWSE has risen to 34.5% this year, up from 32.2% in 2008.

If the Fed tightens and capital inflows into emerging markets reverse, a correction in Taiwan's equity market would be inevitable. The correction is unlikely to be long lasting, however, based on the view Taiwan will ultimately benefit from US recovery and corporate earnings will improve (barring downside risks elsewhere in the world such as in China and Europe).

Source: DBS Group Research. Economics. Taiwan: Less vulnerable than most. 9 July 13.
(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	1.3067	-0.23	1.3100	1.3000
USD/JPY	99.22	0.26	99.70	98.68
AUD/USD	0.9049	-1.51	0.9191	0.8999
NZD/USD	0.7778	-0.96	0.7879	0.7753
GBP/USD	1.5107	-0.51	1.5189	1.5076
USD/SGD	1.2623	0.26	1.2669	1.2580
USD/CNY	6.1382	0.11	6.1424	6.1360
EUR/AUD	1.4442	1.31	1.4478	1.4236
AUD/SGD	1.1422	-1.25	1.1588	1.1400
NZD/SGD	0.9827	-0.64	0.9935	0.9809
GBP/SGD	1.9069	-0.25	1.9150	1.9052
AUD/NZD	1.1618	-0.69	1.1711	1.1567
EUR/SGD	1.6496	0.04	1.6522	1.6453
EUR/GBP	0.8649	0.28	0.8655	0.8613

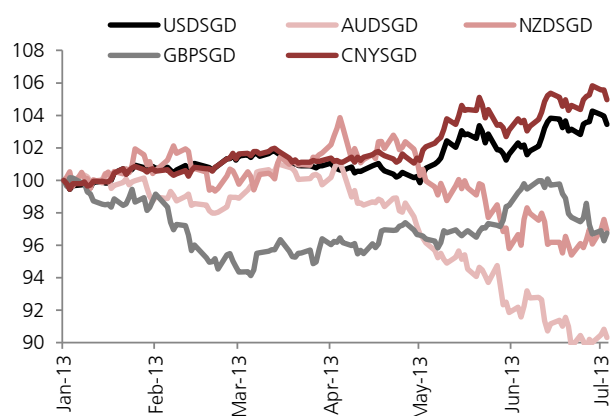
Currencies

The US dollar maintained gains against most of its peers ahead of the crucial retail sales report that should show an economy on the mend. It could also mean that the Federal Reserve may begin drawing down its massive easy money programme.

The Aussie gained ahead of China data later today that could show the world's second largest economy slowing further in the second quarter. The AUD is closely linked to the Chinese economy because of the massive amount of commodity exports to China.

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	Bearish	1.2685	1.2437	1.3103	1.3200
GBP/USD	Bearish	1.4829	1.4231	1.5342	1.5476
USD/JPY	Bullish	96.96	93.80	102.52	103.73
AUD/USD	Bearish	0.9000	0.8772	0.9250	0.9344
NZD/USD	Bearish	0.7682	0.7451	0.8053	0.8262
USD/CAD	Bullish	1.0315	1.0082	1.0657	1.0851
USD/SGD	Bullish	1.2477	1.2405	1.2807	1.3376
AUD/SGD	Bearish	1.1339	1.0799	1.1660	1.1880
NZD/SGD	Bearish	0.9753	0.9649	1.0120	1.0318
GBP/SGD	Bearish	1.8892	1.8577	1.9343	1.9522
EUR/SGD	Bearish	1.6240	1.6091	1.6585	1.6789
EUR/AUD	Range	1.3932	1.3580	1.4416	1.4880
AUD/NZD	Bearish	1.1630	1.1391	1.1985	1.2101
XAU/USD	Bearish	1180	1156	1321	1377

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 – 15 July 2013

Country	Event	Period	Survey	Actual	Prior
CH	GDP (YoY)	2Q	7.50%	--	7.70%
CH	Industrial Production (YoY)	Jun	9.10%	--	9.20%
CH	Retail Sales (YoY)	Jun	12.90%	--	12.90%
SI	Retail Sales (YoY)	May	--	--	-0.50%
IN	Monthly Wholesale Prices (YoY)	Jun	4.88%	--	4.70%
US	Empire Manufacturing	Jul	5	--	7.84
US	Advance Retail Sales	Jun	0.80%	--	0.60%

Source: Bloomberg

Focus

China GDP, industrial production and retail sales numbers are expected to stay broadly similar to previous estimates.

India wholesale prices likely grew faster in June.

US releases manufacturing and retail sales numbers as well.

Bond risk rating changes

Effective	Bond Name	Issuer	Risk rating		Reason
			New	Existing	
5/7/2013	KZOKZ 9 1/8 07/02/18	KAZMUNAYGAS NATIONAL CO	3	4	Tenor reduction
8/7/2013	SBERRU 5.4 03/24/17	SBERBANK (SB CAP SA)	3	2	
8/7/2013	SBERRU 5.717 06/16/21	SBERBANK (SB CAP SA)	4	3	
8/7/2013	SBERRU 4.95 02/07/17	SBERBANK (SB CAP SA)	3	2	Moody's downgraded paper credit rating from A3 to Baa1.
8/7/2013	SBERRU 6 1/8 02/07/22	SBERBANK (SB CAP SA)	4	3	
8/7/2013	SBERRU 5.499 07/07/15	SBERBANK (SB CAP SA)	3	2	
8/7/2013	SBERRU 5.18 06/28/19	SBERBANK (SB CAP SA)	4	3	
8/7/2013	NOKIA 5 3/8 05/15/19	NOKIA CORP	5	4	S&P downgraded paper credit rating from BB- to B+.
8/7/2013	VTB 5.01 09/29/15	IND & CON BANK (OR-ICB)	4	3	Moody's downgraded paper credit rating from Baa2 to Ba1.
8/7/2013	FCOTSP 5 1/2	FRASERS COMMERCIAL TRUST	4	5	Re-rated based on Moody's issuer long term credit rating of Baa3. Previously unrated.

Information updated as of 10 July 2013.

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