

Market Snapshot

Thursday, 21 November 2013

US Markets Fall; Fed Says Tapering in "Coming Months"

WHAT'S NEWS

- US stocks fell after the FOMC's minutes indicated it may trim bond purchases in the "coming months".
- Bank of England said it is in no hurry to hike interest rates, even as the economy gathers some steam.
- Singapore raises 2013 and 2014 growth forecasts; Moody's raises Malaysia's outlook.

THE DAY AHEAD

- The Bank of Japan will release its policy statement today.
- China expects a preliminary reading for its factory sector.
- Europe's manufacturing data for November is also due.

DEVELOPED MARKET EQUITIES

US Stocks Fall as Fed Says Taper Possible in Coming Months

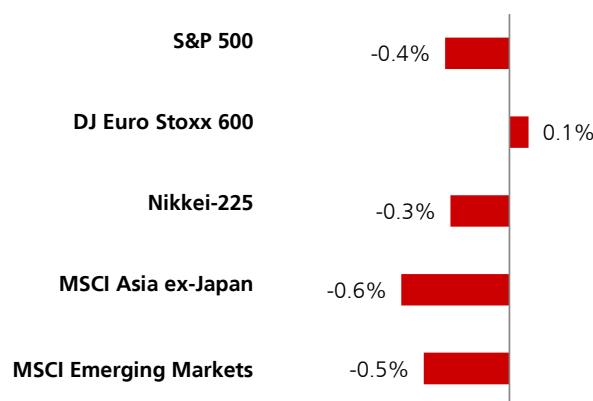
US stocks dipped after the Federal Reserve's minutes indicated it may trim bond purchases in the "coming months". Fed officials signalled they are ready to wind down quantitative easing (QE) at one of the next few meetings, if economic data continue to paint signs of recovery. The central bank's next meeting will be on 17-18 December.

In a scheduled speech, Fed Chair Ben Bernanke said the Fed funds rate target is "likely to remain near zero for a considerable time after the asset purchases end", even well after the unemployment rate hits the central bank's 6.5% target. He added that the Fed "it will likely be because the economy has progressed sufficiently" that his peers decide to wind down QE.

Meanwhile, a cocktail of October data failed to support the bourses. Retail sales rose 0.4% on-month, suggesting a demand pick-up. Consumer inflation slipped 0.1% on-month as gasoline prices fell sharply. This was the first decline in six months. Sales of previously owned homes ticked down to the lowest since June due to high property prices and an inventory shortage. The median prices for home re-sales rose 12.8% on-year, marking 11 straight months of double digit gains. The Dow and the S&P 500 were both 0.4% down, while the Nasdaq ticked 0.3% lower.

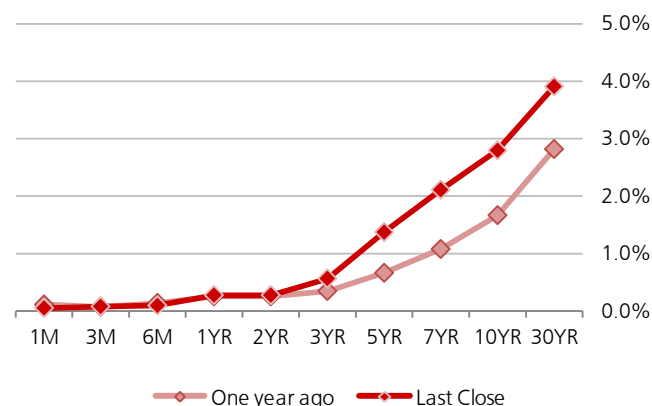
Europe equities rose after Bloomberg News reported the European Central Bank was mulling negative deposit rates. As this could see depositors paying banks interest instead of the traditional bank-to-consumer money flow, hopes were high for a possible money inflow to equities. The Stoxx 600 eked out a small 0.1% gain.

EQUITY MARKETS



Shown in local currency terms, as of the last business day.

US TREASURY YIELD CURVE



The curve shows the yield to maturity of current US bills, notes and bonds. All data is as of the close of the last business day.

CALENDAR

	Event	Period	Survey	Prior
JP	BoJ Policy Statement	--	--	--
SI	GDP (YoY)	3Q F	5.30%	5.10%
CH	HSBC/Markit Flash Mfg PMI	Nov	50.7	50.9
US	Initial Jobless Claims	15-Nov	--	339K
EC	Consumer Confidence	Nov A	--	-14.5

Source: Bloomberg, DBS Group Research

In its latest minutes, the Bank of England said it is not rushing to hike interest rates, even as the economy is gaining some momentum. It also warned the markets that a 7% jobless rate would not warrant a tightening of its monetary policy.

Japan stocks fell 0.3%, extending its losing streak, as investors kept their risk-on hat ahead of key Fed announcements in the global day. The country will release statements from the Bank of Japan, aside from the factory numbers.

ASIA EQUITIES

Asia Mostly Down on Profit-Taking

Asia stocks ended mostly lower on profit-taking. The region also adopted a wait-and-see stance as it struggles with uncertainties on when the US Fed will curb its asset purchases programme soon.

China stocks ticked 0.6% up, with some reform-related plays in place. Defence names jumped amid hopes of more supportive government policy measures. Telecom plays also rose on expectations China will grant fourth-generation network licenses soon.

Hong Kong's Hang Seng was 0.2% up, boosted by bargain-hunting in Chinese financial stocks after the country released more details on its financial reform plans.

In Southeast Asia, **Singapore's** STI fell 0.3% while **Indonesia's** JCI tumbled 1.1%. **Malaysia's** KLCI ended 0.5% lower on profit-taking after the bourse breached through the psychological 1,800 level.

Moody's upgraded its outlook for Malaysia to positive from stable, citing brighter prospects for fiscal reform after the country announced a consumption tax hike in 2015 and sharply cut its subsidies.

Early this morning, Singapore's Ministry of Trade and Industry said the economy grew 5.8% on-year, beating expectations. MTI also upped the full-year 2013 growth forecast to 3.5%-4%, and the 2014 forecast to 2%-4%.

India shares fell 1.2% as investors booked profits ahead of the Fed's meeting minutes release and a series of data from the US.

FIXED INCOME

US Treasuries ticked lower as the central bank's latest meeting minutes boosted anxiety the Fed could start tapering the asset purchase programme soon. Benchmark 10-year notes fell 23/32 to yield 2.795%.

COMMODITIES

Oil ended flat as traders stayed on the sidelines to digest the latest set of news relating to the Fed's money policy. US Energy Information Administration reported stockpiles climbed by 375,000 barrels in the week ended 15 November.

Gold dived after the latest Federal Reserve's minutes indicated it may trim bond purchases in the "coming months".

Source: Bloomberg, DBS Group Research and Vickers (DBS), Dow Jones Newswires, Reuters, Agence France-Presse

Equity Markets

Returns of equity indexes around the world, in local currency terms.

	Index	Close	Overnight	YTD
US	DJIA	15900.82	-0.41%	21.34%
	S&P 500	1781.37	-0.36%	24.90%
	NASDAQ	3921.27	-0.26%	29.86%
Europe	Euro Stoxx 600	322.91	0.11%	15.46%
	Germany DAX	9202.07	0.10%	20.88%
	France CAC-40	4268.37	-0.09%	17.23%
	UK FTSE100	6681.08	-0.25%	13.28%
Asia	MSCI AxJ	554.18	-0.61%	1.18%
	Japan Nikkei-225	15076.08	-0.33%	45.03%
	China SHCOMP	2206.61	0.62%	-2.76%
	Hong Kong Hang Seng	23700.86	0.18%	4.61%
	Taiwan TWSE	8204.46	-0.67%	6.56%
	South Korea KOSPI	2017.24	-0.71%	1.01%
	Indonesia JCI	4350.79	-1.08%	0.79%
	Malaysia KLCI	1798.69	-0.47%	6.50%
	Singapore STI	3184.23	-0.25%	0.54%
	India Sensex	20635.13	-1.22%	6.22%
Emerg. Mkt	MSCI EM	1019.57	-0.48%	-3.38%

Government Bonds

Benchmark yields of major 10-year government bonds.

	Latest yield	Previous yield	Change (bps)
US	2.80%	2.71%	9.18
Germany	1.71%	1.72%	-0.50
Japan	0.62%	0.62%	-0.60
China	4.66%	4.66%	0.00
Taiwan	1.72%	1.73%	-0.45
South Korea	3.64%	3.63%	1.00
Indonesia	8.51%	8.37%	14.10
Singapore	2.30%	2.29%	1.00
India	9.05%	9.02%	2.90

Commodity futures

Prices of one-month futures contracts, grouped by commodity type.

	Close	1-day change	1-yr high	1-yr low
WTI crude (\$/bbl)	93.33	-0.01%	112.24	85.21
Gold (\$/oz.)	1258.00	-1.22%	1755.00	1179.40
Copper (\$/ton)	6967.50	0.00%	8355.00	6673.00
Corn (cents/bu.)	417.00	-0.18%	800.00	410.75
Soybean (cents/bu.)	1273.75	-0.20%	1630.00	1255.00
Wheat (cents/bu.)	647.25	-0.46%	880.00	623.00
Coffee (cents/lb)	110.20	1.52%	172.25	104.15
Sugar (cents/lb)	468.30	-0.19%	552.50	460.30

Source: Bloomberg, as at the close of the last business day.
O/N refers to overnight. YTD refers to year-to-date returns.

CURRENCIES

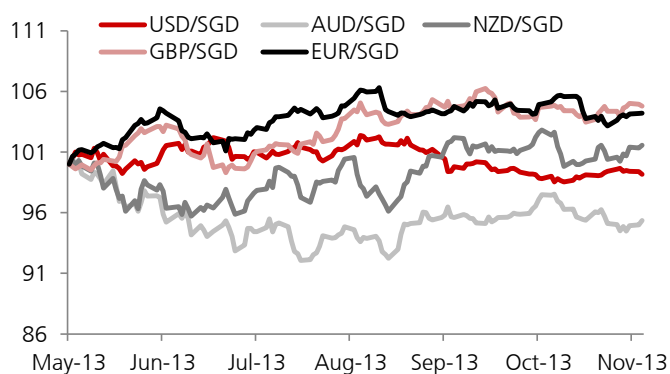
The Aussie ended lower as traders refused to make fresh bets ahead of a speech by the Reserve Bank of Australia Governor Glenn Stevens, scheduled today.

The USD saw some gains against a basket of currencies after the Federal Reserve's minutes indicated it may trim bond purchases in the "coming months". Fed officials signalled they are ready to wind down quantitative easing at one of its next few meetings, if economic data continues to paint signs of recovery.

The GBP ended almost flat against the dollar after the Bank of England said it is not rushing to hike interest rates, even as the economy is gaining some momentum. It also warned the markets that a 7% jobless rate would not warrant a tightening of its monetary policy.

Source: Bloomberg, DBS Group Research and Vickers (DBS), Dow Jones Newswires, Reuters, Agence France-Presse

SGD Against Major Currencies



Source: Bloomberg.

Technical Summary

Short-term technical readings with a two-week horizon. All figures are as of the last business day.

Currency	Short term Direction	Support 1	Support 2	Resistance 1	Resistance 2
EUR/USD	Bearish	1.3389	1.3295	1.3577	1.3720
GBP/USD	Range	1.5986	1.5852	1.6178	1.6260
USD/JPY	Range	99.55	98.40	100.60	101.53
AUD/USD	Bearish	0.9276	0.9075	0.9447	0.9542
NZD/USD	Range	0.8166	0.8035	0.8393	0.8543
USD/CAD	Range	1.0412	1.0315	1.0508	1.0568
USD/SGD	Range	1.2409	1.2336	1.2518	1.2581
AUD/SGD	Bearish	1.1582	1.1485	1.1743	1.1850
NZD/SGD	Range	1.0208	1.0115	1.0427	1.0570
GBP/SGD	Range	1.9958	1.9822	2.0131	2.0363
EUR/SGD	Bearish	1.6645	1.6495	1.6873	1.7112
EUR/AUD	Range	1.4214	1.4100	1.4479	1.4575
AUD/NZD	Range	1.1185	1.1024	1.1365	1.1485
XAU/USD	Bearish	1233	1207	1276	1294

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

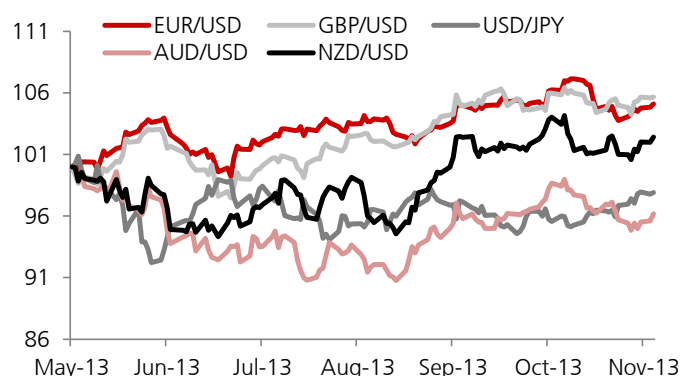
FX Round-up

Currencies as of New York close.

	Last	Overnight change	Day high	Day low
EUR/USD	1.3439	-0.73%	1.3579	1.3415
GBP/USD	1.6105	-0.09%	1.6178	1.6088
USD/JPY	100.0300	-0.11%	100.24	99.79
AUD/USD	0.9334	-1.06%	0.9448	0.9316
NZD/USD	0.8273	-1.17%	0.8395	0.8254
USD/CAD	1.0453	-0.15%	1.0474	1.0436
USD/SGD	1.2464	0.23%	1.2478	1.2426
AUD/SGD	1.1635	-0.82%	1.1744	1.1622
NZD/SGD	1.0312	-0.94%	1.0434	1.0289
GBP/SGD	2.0073	0.12%	2.0117	2.0022
EUR/SGD	1.6750	-0.52%	1.6875	1.6713
EUR/AUD	1.4397	0.31%	1.4450	1.4325
AUD/NZD	1.1282	0.12%	1.1313	1.1251
XAU/USD	1244	-2.46%	1276.6	1241

Source: Bloomberg.

USD Against Major Currencies



Insights Feature

Thailand: DBS Downgrades GDP Forecast to 3.2% in 2013

GDP growth eased to 2.7% on-year in 3Q from a revised 2.9% a quarter ago. On an on-quarter basis, the economy registered a 1.3% expansion in the period, a decent pick-up from being flat in 2Q. We now forecast GDP growth to come in at 3.2% on-year in 2013 and 4.5% on-year in 2014 (earlier estimates: 4.0% and 5.2%).

Net exports accounted for almost all the growth seen in 3Q. Export growth has ticked up slightly to 3.8% on-year in the period, but the weakness in import growth was dominant.

Export growth has remained lacklustre in 3Q, despite slight improvement in export demand. The important factory sector saw its second straight negative growth at -0.4% on-year in the period.

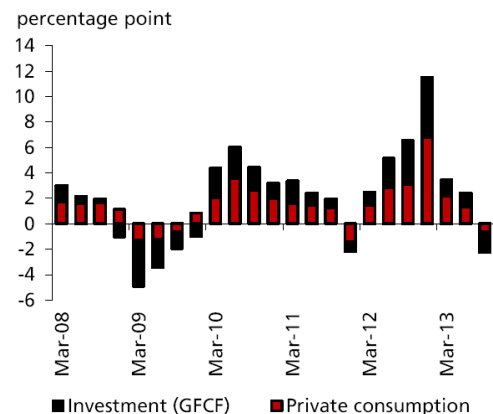
Sluggish external demand had been pretty much expected. It is the sharp moderation in the domestic economy that was disconcerting. Together, the drag from investment and private consumption growth was slightly more significant than the one seen in 4Q-11.

Private consumption growth came in at -1.2% on-year in 3Q, the first contraction since 4Q-11. Back then, the floods caused the setback. This time, financial market volatility and household debt overhang led to lower consumer confidence. Further weakness in consumer confidence is really a concern going into 2014.

The recent recovery in capacity utilisation has been encouraging. Export growth is unlikely to return to double-digit in 2014. This depends on the pace of the global economic recovery.

In the meantime, the government will remain in the limelight. Frontloading the delayed THB2.2 trillion infrastructure projects in early 2014 is a key assumption to our forecast. Without that, we may see another sub-4% GDP growth next year.

Contribution to GDP Growth



Source: DBS Group Research

Source report: DBS Group Research. Daily Breakfast Spread. 19 November 2013.

Summarised by DBS Group Wealth Management /CIO Office.

Bond risk rating changes

Effective	Bond Name	Issuer	Risk rating		Reason
			New	Existing	
14/11/2003	LLCAU 5 1/2 11/13/18	LEND LEASE FIN LTD	3	4	Tenor reduction
18/11/2013	GS 5 1/8 01/15/15	GOLDMAN SACHS GROUP INC	3	2	Moody's downgraded paper rating from A3 to Baa1.
18/11/2013	GS 5.15 01/15/14	GOLDMAN SACHS GROUP INC	3	2	Moody's downgraded paper rating from A3 to Baa1.
18/11/2013	GS 5.35 01/15/16	GOLDMAN SACHS GROUP INC	3	2	Moody's downgraded paper rating from A3 to Baa1.
18/11/2013	GS 5 10/01/14	GOLDMAN SACHS GROUP INC	3	2	Moody's downgraded paper rating from A3 to Baa1.
18/11/2013	GS 6.35 04/12/16	GOLDMAN SACHS GROUP INC	3	2	Moody's downgraded paper rating from A3 to Baa1.
18/11/2013	GS 5 1/4 06/01/16	GOLDMAN SACHS GROUP INC	3	2	Moody's downgraded paper rating from A3 to Baa1.
18/11/2013	GS 5 1/4 12/15/15	GOLDMAN SACHS GROUP INC	3	2	Moody's downgraded paper rating from A3 to Baa1.
18/11/2013	GS 6 1/8 02/14/17	GOLDMAN SACHS GROUP INC	3	2	Moody's downgraded paper rating from A3 to Baa1.
18/11/2013	GS 5 1/8 10/23/19	GOLDMAN SACHS GROUP INC	4	3	Moody's downgraded paper rating from A3 to Baa1.
18/11/2013	GS 5 03/04/26	GOLDMAN SACHS INTERNATIO	4	3	Moody's downgraded guarantor rating from A3 to Baa1.
18/11/2013	JPM 5 1/4 05/01/15	JPMORGAN CHASE & CO	3	2	Moody's downgraded paper rating from A3 to Baa1.
18/11/2013	GS 5 3/4 01/24/22	GOLDMAN SACHS GROUP INC	4	3	Moody's downgraded paper rating from A3 to Baa1.
18/11/2013	GS 5 05/03/18	GOLDMAN SACHS GROUP INC	3	2	Moody's downgraded paper rating from A3 to Baa1.
18/11/2013	GS 7 1/2 02/15/19	GOLDMAN SACHS GROUP INC	4	3	Moody's downgraded paper rating from A3 to Baa1.
18/11/2013	GS 4 3/4 01/28/14	GOLDMAN SACHS GROUP INC	3	2	Moody's downgraded paper rating from A3 to Baa1.
18/11/2013	GS 6 05/01/14	GOLDMAN SACHS GROUP INC	3	2	Moody's downgraded paper rating from A3 to Baa1.
18/11/2013	GS 4.1 11/03/15	GOLDMAN SACHS GROUP INC	3	2	Moody's downgraded paper rating from A3 to Baa1.
18/11/2013	GS 0 11/29/17	GOLDMAN SACHS GROUP INC	3	2	Moody's downgraded paper rating from A3 to Baa1.
18/11/2013	GS 5 1/4 11/29/17	GOLDMAN SACHS GROUP INC	3	2	Moody's downgraded paper rating from A3 to Baa1.
18/11/2013	GS 3.3 05/03/15	GOLDMAN SACHS GROUP INC	3	2	Moody's downgraded paper rating from A3 to Baa1.
18/11/2013	GS 5 1/4 07/27/21	GOLDMAN SACHS GROUP INC	4	3	Moody's downgraded paper rating from A3 to Baa1.
18/11/2013	GS 6.15 04/01/18	GOLDMAN SACHS GROUP INC	3	2	Moody's downgraded paper rating from A3 to Baa1.
18/11/2013	GS 0 04/12/16	GOLDMAN SACHS GROUP INC	3	2	Moody's downgraded paper rating from A3 to Baa1.
18/11/2013	GS 5 08/08/18	GOLDMAN SACHS GROUP INC	3	2	Moody's downgraded paper rating from A3 to Baa1.
18/11/2013	GS 0 08/08/18	GOLDMAN SACHS GROUP INC	3	2	Moody's downgraded paper rating from A3 to Baa1.
18/11/2013	GS 3 5/8 01/22/23	GOLDMAN SACHS GROUP INC	4	3	Moody's downgraded paper rating from A3 to Baa1.
18/11/2013	SHIMAO 9.65 08/03/17	SHIMAO PPTY HLDNG LTD	4	5	Moody's upgraded paper rating from B1 to Ba3.
18/11/2013	SHIMAO 11 03/08/18	SHIMAO PPTY HLDNG LTD	4	5	Moody's upgraded paper rating from B1 to Ba3.
18/11/2013	SHIMAO 6 5/8 01/14/20	SHIMAO PPTY HLDNG LTD	4	5	Moody's upgraded paper rating from B1 to Ba3.
18/11/2013	COGO 2 03/21/17	CHINA OS GRAND OCEAN FIN	3	4	Re-rated based on Moody's guarantor rating of Baa2 and S&P guarantor rating BBB-. Previously rated based on guarantor equity risk rating
18/11/2013	FMGAU 7 11/01/15	FMG RESOURCES AUG 2006	4	5	Moody's upgraded paper rating from B1 to Ba3.
18/11/2013	FMGAU 6 7/8 02/01/18	FMG RESOURCES AUG 2006	4	5	Moody's upgraded paper rating from B1 to Ba3.
18/11/2013	FMGAU 6 04/01/17	FMG RESOURCES AUG 2006	4	5	Moody's upgraded paper rating from B1 to Ba3.
18/11/2013	FMGAU 6 7/8 04/01/22	FMG RESOURCES AUG 2006	4	5	Moody's upgraded paper rating from B1 to Ba3.
18/11/2013	FMGAU 8 1/4 11/01/19	FMG RESOURCES AUG 2006	4	5	Moody's upgraded paper rating from B1 to Ba3.

Information updated as of 18 November 2013.

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