

Market Snapshot

Friday, 27 September 2013

Markets Watch DC Drama as Stocks Get Jobs Boost

Key Global Indices

Index	Last	Change (%)	YTD (%)
US DJIA	15328.30	0.36	16.97
US S&P 500	1698.67	0.35	19.11
US NASDAQ	3787.43	0.70	25.43
UK FTSE 100	6565.59	0.21	11.32
Nikkei 225	14799.12	1.22	42.37
Europe DJ STOXX 600	313.02	0.00	11.92

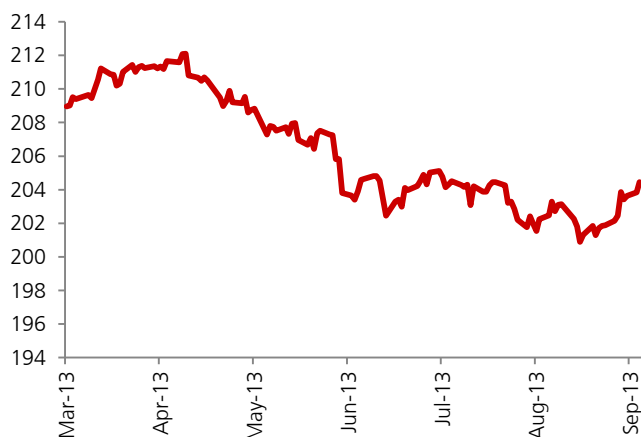
Asia & Emerging Markets

Index	Last	Change (%)	YTD (%)
Singapore STI	3194.31	-0.44	0.86
Hong Kong Hang Seng	23125.03	-0.36	2.07
Shanghai SE Composite	2155.81	-1.94	-4.99
India Sensex	19893.85	0.19	2.40
Taiwan TWSE	8184.68	-1.20	6.30
Malaysia KLCI	1774.16	-0.55	5.05
Korea KOSPI	2007.32	0.46	0.51
Indonesia JCI	4405.89	-0.02	2.07
Thailand SET	1424.76	-0.84	2.36
Brazil BOVESPA	53782.97	-0.88	-11.76
Russia RTS	1451.64	-0.09	-4.93

Fixed Income

	Last	Previous Day Close	Change (bps)
2-yr US Treasury	0.34	0.34	0.00
5-yr US Treasury	1.44	1.39	4.37
10-yr US Treasury	2.65	2.63	2.18
3M Sibor	0.37	0.37	0.00
3M Libor	0.25	0.25	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 equity markets stopped a recent rot, ending higher as the number of Americans seeking unemployment benefits fell to a six-year low. This number beat the uncertainty surrounding US Federal Reserve policy and debt ceiling talks in Washington. The Dow Jones and the S&P 500 both rose 0.4% while the Nasdaq leapt 0.7%.

Initial jobless claims for the latest week fell 5,000 to a seasonally adjusted 305,000. This beat economic forecasts and was its lowest since September 2007. The number of US citizens (3.9 million) receiving unemployment benefits is around 32% lower in the past year. Those figures helped pushed equities higher as uncertainty swirled over the debt ceiling and how the US government is going to keep itself going with limited cash reserves left. By October, when the US government financial year begins, politicians must approve a budget or vote to temporarily increase its debt ceiling of USD16.7 trillion. This weekend is crucial. To keep the government chugging along, the US Congress – comprising Senate and the House in opposing camps – must approve a bill to avoid a temporary shutdown. Washington faces two deadlines: 1 October when they have to approve a budget for FY14 and one in mid-October when the government has no more money to meet its debt obligations on time and in full.

Europe shares were little changed as jobs numbers in the US failed to convince European bourses. Concerns remain over US politicians and their ability to avoid a shutdown with opponents already squaring up on Capitol Hill. In Italy, the main MIB bourse slid 1.2% with the party of former premier Silvio Berlusconi threatening a pullout if the billionaire is removed from Senate for tax fraud.

Southeast Asia

Southeast Asia stocks fell as uncertainty over how debt and budget talks in the US would play out. Singapore's STI eased 0.4% for the fifth straight session despite manufacturing output numbers that showed growth in August. Output grew 3.5% on-year from 3% in July on improving electronics and a spurt in maritime and offshore services. Malaysia's KLCI slipped 0.6%. Indonesia's JCI was flat.

North Asia

North Asia markets closed lower as the euphoria over Shanghai's new free trade zone faded. Hong Kong's Hang Seng was down, taking cues from China and purported weakness in US consumer spending. China's SHCOMP slipped 1.9% ahead of a weeklong holiday next week.

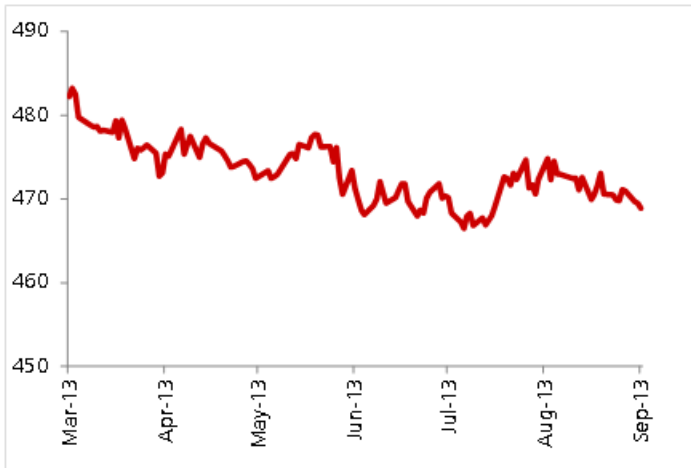
Hong Kong stocks took cues from Wall Street and on China weakness. The Hang Seng Index fell 0.4% as Shanghai prepared to close for a weeklong holiday. Retail middleman Li & Fung fell 3.1% after a report indicated a slowing down in US consumer spending. In Shanghai, companies linked to the free trade zone fell with signs there would be no immediate change in policy, and on concerns for banks on lending.

Tokyo stocks rebounded after falling three straight sessions, as a stronger USD helped exporters with the Nikkei up 1.2% at the close. Early Friday, the government said core goods as a measure of inflation was up 0.8% in August on-year – a sign that higher energy and imports are helping the government's goal in beating deflation.

Commodities

	Last	O/N Change (%)	52-week High	52-week Low
Gold	1324.08	-0.77	1796.08	1180.57
Crude oil	103.03	0.36	112.24	84.05
Wheat	678.25	1.16	916.50	623.00
Corn	456.75	0.44	800.00	448.00
Soybean	1316.75	-0.38	1630.00	1271.00
Sugar	488.60	-0.45	582.50	456.70
Coffee	115.65	-1.36	200.00	113.95

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 shares closed higher on short-covering at the expiry of September derivatives contracts. The Sensex rose 0.2%, also getting a boost from a strengthening rupee.

Fixed Income

Benchmark US Treasury notes closed lower as its four-day winning streak ended. The 10-year note was down 8/32 after the US government said initial jobless claims had fallen to six-year lows and there was no change in 2Q GDP numbers after the Commerce Department had its third look at the figures. The 10-year note yielded 2.64% overnight. Bonds move inversely to its yields.

Commodities

Crude oil rose for the first time in six days on better-than-expected employment numbers. The ISM survey covering services also boosted crude prices. Benchmark WTI for November contracts were up 0.1% to sit just above the USD103 per barrel mark.

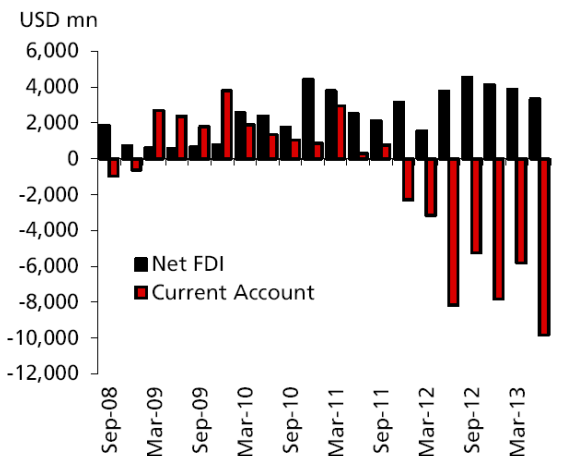
Gold futures fell for the fourth time in five sessions as the surprisingly upbeat jobs report sent bullion lower. Good data means a reduction in the US Federal Reserve stimulus could be closer. Gold has been boosted by the Fed's easy money policies.

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

ASIAN INSIGHTS

Indonesia: Further FDI Liberalisation Ahead

Indonesia's Primary External Balance



Source: DBS Group Research

The Indonesian government will revise the negative investment list in October. The move should further enhance annual foreign direct investment (FDI) inflows, which reached a record level near to USD25 billion in 2012, a 26% on-year growth from a year ago.

As the government is targeting annual FDI to reach USD35-40 billion by 2015, the plan to revise the negative investment list will be key. It will not only act as a means of anchoring longer-term growth but also to ensure the current account deficit is financed with long-term stable inflow. FDI is also more likely to bring in the foreign know-how and experience that can be assimilated into the country.

It will be interesting and important to see which sectors will be further liberalised by the government. Since 2010, the bulk of FDI into Indonesia has gone into two sectors: mining (17%) as well as transport and communications (16.7%).

The country is already quite open in its energy and mining sectors, with up to 95% of foreign ownership is allowed in almost all business fields. Besides, having witnessed the adverse impact from commodity prices correction in the past couple of years, the authorities may shift their focus into other sectors. Infrastructure works will be at the limelight, given the structural bottlenecks that have been Indonesia's impediments.

Foreign ownership in almost all fields within transport and communications, including telecommunications, is currently limited to 49%. There has been considerable pressure on the government to revise this in recent years. Some adjustment is also likely in the construction sector, where foreign investments are currently limited to 67%.

The government may also continue its gradual liberalisation of education and health services, noting these sectors were the major breakthrough areas in the 2010 revision. Indonesia's growing middle income class is a big attraction to foreign investors and education is plainly crucial to continued advancement.

Source report: DBS Group Research. Daily Breakfast Spread. 26 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	1.3489	-0.27	1.3532	1.3472
USD/JPY	98.99	0.57	99.13	98.27
AUD/USD	0.9363	-0.05	0.9402	0.9340
NZD/USD	0.8291	0.61	0.8302	0.8235
GBP/USD	1.6041	-0.25	1.6096	1.6000
USD/SGD	1.2549	0.04	1.2562	1.2523
USD/CNY	6.1206	0.02	6.1221	6.1158
EUR/AUD	1.4403	-0.26	1.4457	1.4365
AUD/SGD	1.1750	-0.01	1.1797	1.1721
NZD/SGD	1.0405	0.66	1.0424	1.0329
GBP/SGD	2.0130	-0.20	2.0194	2.0077
AUD/NZD	1.1295	-0.61	1.1368	1.1290
EUR/SGD	1.6927	-0.24	1.6980	1.6902
EUR/GBP	0.8409	-0.03	0.8429	0.8395

Currencies

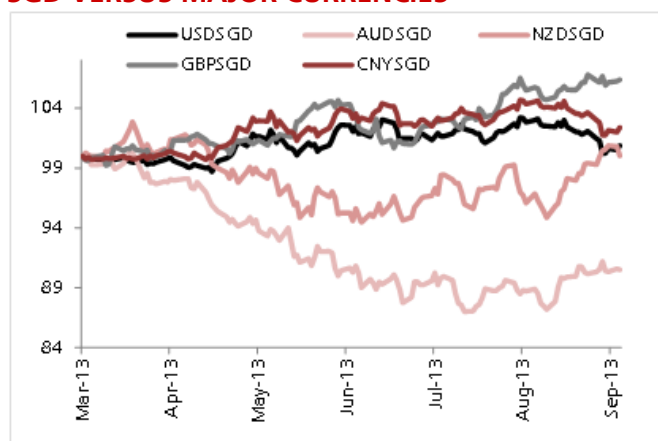
The USD gained against its peers and is expected to get a boost from spending and confidence data later today. Fed policymakers Esther George, William Dudley and Charles Evans are all scheduled to speak later Friday. US Federal Reserve direction has been especially crucial in setting the tone for the USD.

The yen fell against a basket of major currencies as stocks rallied in Tokyo. The JPY was down as traders bet a corporate tax cut was at hand. Early Friday's inflation numbers, which help PM Shinzo Abe's goal to get Japan out of a deflationary environment, helped keep the JPY in check.

The sterling dropped after reaching an eight-month high earlier in the week. The GBP fell after a government report showed the UK current account deficit increased in for the 1Q of its financial year to its widest since 1955, according to Bloomberg News. This offset the 2Q GDP numbers which showed a 1.3% rise on-year, beating an estimate of analysts.

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	1.3568	1.3711
GBP/USD	Bullish	1.5952	1.5751	1.6162	1.6380
USD/JPY	Range	97.75	96.83	99.67	100.60
AUD/USD	Bullish	0.9317	0.9220	0.9528	0.9715
NZD/USD	Bullish	0.8215	0.8136	0.8378	0.8465
USD/CAD	Bearish	1.0259	1.0133	1.0357	1.0468
USD/SGD	Bearish	1.2493	1.2416	1.2609	1.2712
AUD/SGD	Bullish	1.1695	1.1570	1.1880	1.1950
NZD/SGD	Bullish	1.0302	1.0170	1.0503	1.0592
GBP/SGD	Bullish	1.9950	1.9867	2.0222	2.0400
EUR/SGD	Range	1.6853	1.6720	1.7046	1.7205
EUR/AUD	Bearish	1.4267	1.4186	1.4485	1.4585
AUD/NZD	Bearish	1.1243	1.1024	1.1394	1.1542
XAU/USD	Range	1291	1272	1345	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 – 27 September 2013

Country	Event	Period	Survey	Actual	Prior
JP	CPI (YoY)	Aug	0.80%	--	0.70%
TH	Manufacturing Production (YoY)	Aug	-1.00%	--	-4.50%
US	Personal Income	Aug	0.40%	--	0.10%
US	Personal Spending	Aug	0.30%	--	0.10%
US	Univ. of Michigan Confidence	Sep F	77.5	--	76.8

Source: Bloomberg

Focus

Thailand's manufacturing production is expected to decline 1.0% on-year in August, from a 4.5% drop a month ago.

Bond risk rating changes

Effective	Bond Name	Issuer	Risk rating		Reason
			New	Existing	
18/09/2013	BAC 4 5/8 09/14/18	MERRILL LYNCH & CO	3	4	Tenor reduction
23/09/2013	RABOBK 4 1/8 09/19/18	RABOBANK NEDERLAND AU	1	2	Tenor reduction
23/09/2013	NAB 5 09/20/18	NATIONAL AUSTRALIA BANK	1	2	Tenor reduction
23/09/2013	BOIIN 3 5/8 09/21/18	BANK OF INDIA LONDON	3	4	Tenor reduction

Information updated as of 24 September 2013.

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