

Market Snapshot

Monday, 26 August 2013

US Equities Up Despite Poor Home Sales

Key Global Indices

Index	Last	Change (%)	YTD (%)
US DJIA	15010.51	0.31	14.55
US S&P 500	1663.50	0.39	16.64
US NASDAQ	3657.79	0.52	21.14
UK FTSE 100	6492.10	0.70	10.08
Nikkei 225	13660.55	2.21	31.41
Europe DJ STOXX 600	304.71	0.38	8.95

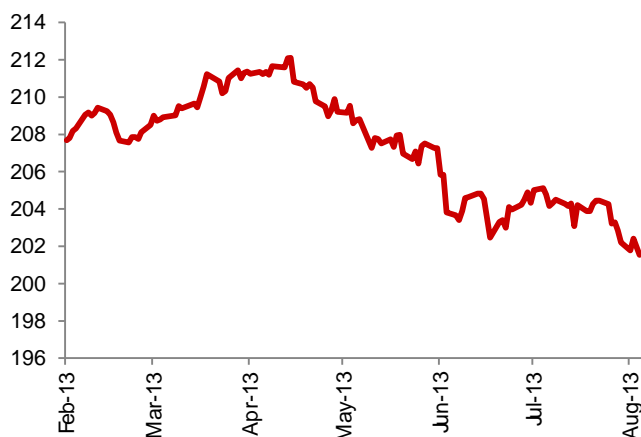
Asia & Emerging Markets

Index	Last	Change (%)	YTD (%)
Singapore STI	3088.85	-0.02	-2.47
Hong Kong Hang Seng	21863.51	-0.15	-3.50
Shanghai SE Composite	2057.46	-0.47	-9.33
India Sensex	18519.44	1.13	-4.67
Taiwan TWSE	7873.31	0.75	2.26
Malaysia KLCI	1721.07	0.04	1.90
Korea KOSPI	1870.16	1.14	-6.35
Indonesia JCI	4169.83	-0.04	-3.40
Thailand SET	1338.13	-1.01	-3.87
Brazil BOVESPA	52197.06	1.56	-14.36
Russia RTS	1330.99	0.15	-12.84

Fixed Income

	Last	Previous Day Close	Change (bps)
2-yr US Treasury	0.38	0.39	-1.16
5-yr US Treasury	1.62	1.68	-5.79
10-yr US Treasury	2.81	2.88	-6.98
3M Sibor	0.37	0.37	0.00
3M Libor	0.26	0.26	0.00

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 equities ended the week sprightly, as a drop in Treasury yields and a rally in Microsoft Corp. diverted attention away from concerns over Federal Reserve easy money. The drop in yields was helped by a sharp drop in new home sales for July. The US Commerce Department said the adjusted annualised rate was 394,000, a drop from June's 455,000. That figure was well below analyst expectations of a 490,000 figure.

At the annual Fed retreat in Jackson Hole last week, several Fed officials refused to rule out a September reduction in its asset-purchase programme but those wanting stimulus to stay got a boost from International Monetary Fund chief Christine Lagarde. Lagarde said "unconventional" monetary policy should remain in place to support weaker economies while reform takes place.

In corporate news, Dow component Microsoft rallied 8% after it said long-time chief executive Steve Ballmer would resign within a year. The Dow climbed 0.3%, the S&P 500 was up 0.4% and the Nasdaq ticked 0.5% up.

Europe shares ended higher after Germany reported a larger-than-expected budget surplus (+3.8% on-year) in the first half of the year, as its GDP grew. 2Q GDP grew 0.7% on-year, Berlin said. In the UK, GDP growth for the same period was revised upward to 0.7% against expectations of a 0.6% increase.

A Bloomberg News survey of economic confidence showed euro area confidence was at its highest in 17 months – signs that the bloc is recovering from its longest-ever recession. The DJ Stoxx 600 closed 0.4% higher on Friday, and is 11% up in the past two months. **DBS** is Overweight Europe equities on a 3-month horizon.

Southeast Asia

Southeast Asia markets hardly budged on Friday, choosing to sit on the sidelines awaiting cues from the US Federal Reserve. **Singapore's** STI closed in the red, its seventh straight session in negative territory. **Malaysia's** KLCI was marginally higher while **Indonesia's** JCI fell.

North Asia

China's SHCOMP fell 0.5% Friday as liquidity concerns outweighed the euphoria surrounding the government's fresh plans to revamp its economy. The index rose early Friday after Thursday's good manufacturing numbers, and got a boost after the government approved Shanghai's free trade zone.

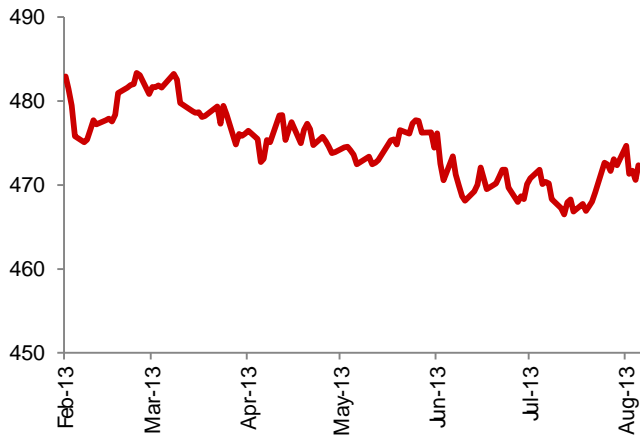
Japan's benchmark Nikkei 225 surged 2.2%, its biggest gain in the past 10 sessions. The index got a boost from a stronger dollar, a leap in US equities and a rebound in EM stocks, which helped exporters.

Hong Kong stocks closed lower, as it watched, then joined China in the red. The Hang Seng Index fell 0.2% as liquidity concerns held sway in the mainland. Poorer earnings from PetroChina also helped the index lower after a first-half report that fell far short of what analysts had expected.

Commodities

	Last	O/N Change (%)	52-week High	52-week Low
Gold	1397.73	1.57	1796.08	1180.57
Crude oil	106.42	1.32	109.32	84.05
Wheat	634.50	0.63	926.50	623.00
Corn	495.50	1.64	819.00	453.75
Soybean	1365.25	3.27	1794.75	1271.00
Sugar	483.10	0.19	582.70	458.40
Coffee	117.05	0.00	200.00	116.35

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 1.1% higher after a 2.3% gain the previous day as investors re-entered a battered market. Despite solid gains, the Sensex still closed lower for a fifth week running on concerns over how the India government will deal with a drawdown in US Federal Reserve stimulus. On Friday, Finance Minister P. Chidambaram said there were no plans to introduce capital controls to help stabilise the rupee, which hit an intra-day record of 65.56 on Thursday.

Fixed Income

US Treasuries posted its biggest one-day price rally in nearly two months, halting a yield surge to 3%. Bond prices rallied after two days of selling, aided by a 13.4% fall in new home sales numbers. The numbers suggest a hit from rising bond yields and offers evidence of an uncertain, uneven recovery in the US. This could mean an extension of the Federal Reserve bond-buying, a major crutch supporting the market. The benchmark 10-year Treasury rose 22/32 in price to yield 2.81%.

Commodities

Oil on the Nymex rallied on Friday, lifted by a weaker US dollar and more violence in the Middle East. Supply concerns resurfaced as deadly violence in Libya, Iraq, Syria and Egypt pushed WTI crude past the USD106 a barrel mark.

Gold settled at its highest in 11 weeks as poor new home sales numbers fanned flames that stimulus will flow from the US Federal Reserve.

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

ASIAN INSIGHTS

Singapore: On Track to Higher Income and Productivity



Source: DBS Group Research

Historically, measured productivity growth has been more correlated to GDP growth than employment growth. And graphically, except for the period between 2005-2008, when employment accelerated, measured productivity growth usually moves in tandem with GDP growth.

The counter-argument is that if workers are more efficient, GDP growth should be faster. In the medium-term, this is so. But in the shorter-term, Singapore's GDP growth performance is determined by global outlook.

Income should increase along with the improvement in real underlying productivity. For example, a worker who is more proficient and hence more productive than others, should see his income rising faster over time. Technology and innovation can make a big difference in boosting such micro level productivity, which will thus raise income.

This brings us to the ultimate end goal of this entire restructuring exercise. The restructuring is aimed at increasing the real median income of Singaporeans by 30% in the current decade. Therefore, a better gauge on the success of the restructuring would then be the improvement made in the real median income. Real median income has increased by an average pace of 3.1% per annum since the announcement of the ESC recommendations. At the current pace, real median income will be 35% higher than what it was in 2010. This is precisely what policymakers have aimed for. By this measure, restructuring is smack on track.

Source report: DBS Group Research. Economics. SG: Restructuring on track. 16 August 2013.
(Summarised by DBS Group Wealth Management /CIO Office.)

Singapore has embarked on a restructuring path initiated by the Economic Strategies Committee (ESC) in 2010, with the objective of enhancing productivity and foster inclusive growth. This is the fourth year of restructuring, and measured productivity has languished.

The change in productivity averaged -0.6% per annum in 2011-2012 and dipped further to -2.0% in 1H-13. This is a far cry from the original target of 2%-3%. Yet, restructuring is raising productivity and real incomes.

The average number of hours worked per employee has been fairly stable at around 46 hours per week. Also, the productivity measure adopted by Singapore is probably not a good indicator of how productive workers actually are. As in other countries, productivity growth is defined by the difference between GDP growth and labour growth.

But as Singapore is a small ship in a big sea, measured productivity can be very different from actual productivity because Singapore's GDP jumps around a lot for reasons not relating to Singapore or its workforce efficiency.

FX Pulse

FX Round-up

	Last	O/N Change (%)	O/N High	O/N Low
EUR/USD	1.3383	0.20	1.3410	1.3334
USD/JPY	98.72	0.00	99.15	98.39
AUD/USD	0.9030	0.24	0.9050	0.8971
NZD/USD	0.7802	-0.36	0.7859	0.7762
GBP/USD	1.5569	-0.12	1.5638	1.5539
USD/SGD	1.2789	-0.32	1.2830	1.2779
USD/CNY	6.1220	0.01	6.1276	6.1191
EUR/AUD	1.4822	-0.03	1.4885	1.4768
AUD/SGD	1.1549	-0.09	1.1585	1.1501
NZD/SGD	0.9979	-0.64	1.0073	0.9948
GBP/SGD	1.9910	-0.42	2.0011	1.9894
AUD/NZD	1.1572	0.57	1.1591	1.1488
EUR/SGD	1.7117	-0.11	1.7154	1.7066
EUR/GBP	0.8595	0.31	0.8604	0.8542

Currencies

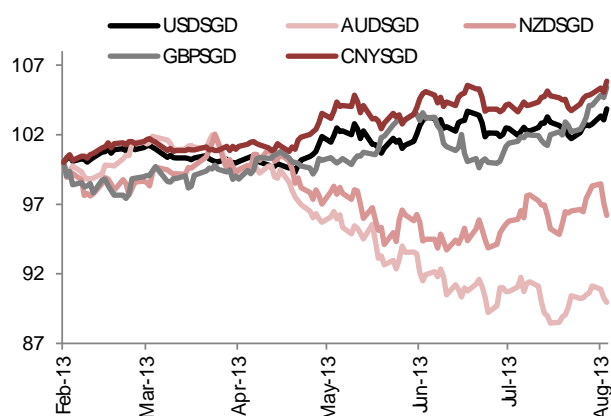
Indonesia's rupiah and India's rupee led a fall in Asian currencies last week as foreign funds withdrew money from regional assets on speculation the US Federal Reserve taper is a matter of weeks away. The rupiah fell by its most since 2008, Thailand entered a recession while Malaysia's current account surplus shrank by 70%. Both the baht and the ringgit were at its lowest levels since 2010.

The USD fell as investors wondered if the US economy was strong enough for the Federal Reserve to slowly pull the rug out from under its easy money programme. With mixed messages of a September pullback, the dollar fell slightly against the euro and was also down against the AUD.

The aussie was higher in early Asian trade on Monday as investors weighed the timing of US Federal Reserve stimulus. This evening, the US durable goods numbers may show a fall, indicating a recovery in the world's largest economy remains patchy.

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	1.3297	1.3205	1.3452	1.3505
GBP/USD	Bullish	1.5450	1.5205	1.5716	1.5878
USD/JPY	Range	96.88	95.79	99.94	101.53
AUD/USD	Bearish	0.8930	0.8846	0.9132	0.9232
NZD/USD	Bearish	0.7682	0.7453	0.7910	0.7981
USD/CAD	Bullish	1.0445	1.0384	1.0608	1.0657
USD/SGD	Bullish	1.2768	1.2667	1.2859	1.3000
AUD/SGD	Range	1.1439	1.1249	1.1659	1.1753
NZD/SGD	Range	0.9909	0.9782	1.0165	1.0315
GBP/SGD	Bullish	1.9850	1.9535	2.0111	2.0275
EUR/SGD	Bullish	1.7000	1.6915	1.7157	1.7406
EUR/AUD	Range	1.4665	1.4593	1.4992	1.5253
AUD/NZD	Range	1.1413	1.1217	1.1642	1.1738
XAU/USD	Bullish	1352	1314	1423	1488

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 – 26 August 2013

Country	Event	Period	Survey	Actual	Prior
SI	Industrial Production (YoY)	Jul	1.80%	--	-5.90%
US	Durable Goods Orders	Jul	-4.00%	--	4.20%

Focus

US July durable goods orders on tap.

Source: Bloomberg

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