

Market Snapshot

Wednesday, 28 August 2013

Syria Tensions Drag Stocks Under Water

Key Global Indices

Index	Last	Change (%)	YTD (%)
US DJIA	14776.13	-1.14	12.76
US S&P 500	1630.48	-1.59	14.32
US NASDAQ	3578.52	-2.16	18.51
UK FTSE 100	6440.97	-0.79	9.21
Nikkei 225	13542.37	-0.69	30.28
Europe DJ STOXX 600	299.01	-1.80	6.91

Global Equities

US equities skidded as the possibility of military action against Syria grew. The UK, France, Canada and the Arab League joined the US in urging a firm response to Syrian President Bashar al-Assad's chemical weapons attack on rebel forces. Meanwhile, the US Treasury has started the debt-ceiling dance with congress, with US Treasury Secretary Jack Lew saying Congress has to raise the US's borrowing limit by mid-October or face default. The Dow was down 1%, S&P 500 down 1.4%, and the Nasdaq, down nearly 2%.

Asia & Emerging Markets

Index	Last	Change (%)	YTD (%)
Singapore STI	3034.02	-1.63	-4.20
Hong Kong Hang Seng	21874.77	-0.59	-3.45
Shanghai SE Composite	2103.57	0.34	-7.30
India Sensex	17968.08	-3.18	-7.51
Taiwan TWSE	7820.84	-0.94	1.58
Malaysia KLCI	1701.24	-1.23	0.73
Korea KOSPI	1885.84	-0.11	-5.57
Indonesia JCI	3967.84	-3.71	-8.08
Thailand SET	1293.97	-2.65	-7.04
Brazil BOVESPA	50091.55	-2.60	-17.82
Russia RTS	1304.33	-1.52	-14.58

These worries overshadowed positive economic data. The S&P/Case-Shiller index showed home prices in 20 cities rose 12.1% in June from a year ago, though the pace eased to 0.89% from May. Consumer confidence also rose unexpectedly in August, with the Conference Board's index rising to 81.5, above consensus expectations.

Europe shares fell as growing threats of a strike against Syria saw investors take profit in automobile and banking stocks, which led the rally in European equities over the summer months this year. A German IFO business climate index reading of 107.5 for August beat forecasts, lending some positive energy to an otherwise dour trading session.

Separately, the European Central Bank's Joerg Asmussen, who has a vote in setting policy rates, reaffirmed that rates would stay low for as long as necessary. The ECB said in July it does not expect to raise rates for an "extended period of time". The central bank next meets on 5 September.

Fixed Income

	Last	Previous Day Close	Change (bps)
2-yr US Treasury	0.36	0.36	-0.80
5-yr US Treasury	1.52	1.59	-6.80
10-yr US Treasury	2.71	2.79	-7.66
3M Sibor	0.37	0.37	0.00
3M Libor	0.26	0.26	-0.27

Southeast Asia

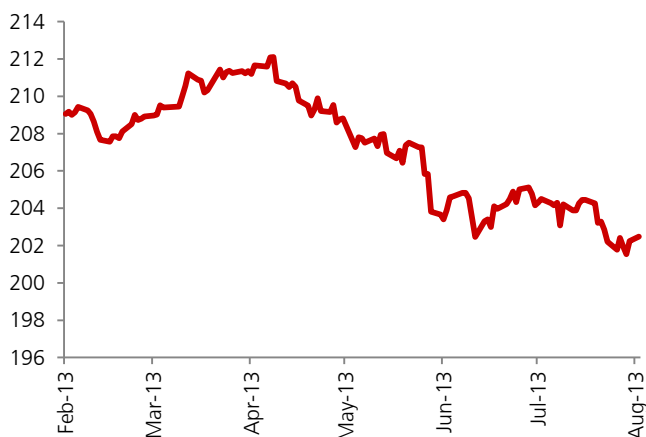
Southeast Asia markets saw some of the largest falls in Asia as the region woke up to the US taking a firm tone with Syria's Assad regime. Singapore's STI fell 1.6%, while Malaysia's KLCI was down 1.2%. Indonesia's JCI fell 3.7%, breaching the psychological 4,000 level and taking the year's losses past 8%.

North Asia

Almost all of Asia fell after US Secretary of State John Kerry gave the strongest possible indication it would not tolerate Syria's use of chemical weapons against rebels. Japan's benchmark Nikkei 225 lost 0.7% as a weaker dollar led stocks, especially exporters, lower. South Korea's KOSPI eased 0.1% lower in the same vein. Hong Kong's HSI fell 0.6%, corporate news adding to downside pressure. China Southern Airlines slumped after it said the rise of high-speed rail took a large bite out of its first-half profits, though MTR Corp rose after topping analyst estimates.

China was the only market that closed higher after the government reassured investors it was on the right GDP growth track and would be prudent in how it uses stimulus to achieve the 2013 target of 7.5%. Adding to good news was official news service Xinhua reporting profits at China's major industrial companies rose 11.6% on-year in January through July, faster than the 6.3% reported for the January-June period. The SHCOMP closed 0.3% up. Shanghai Port International (Group) hit its daily limit-up of 10% for the third day running, as investors bet it was one of the likely beneficiaries of an investment overhaul.

iBoxx US Treasuries TR Index (USD)



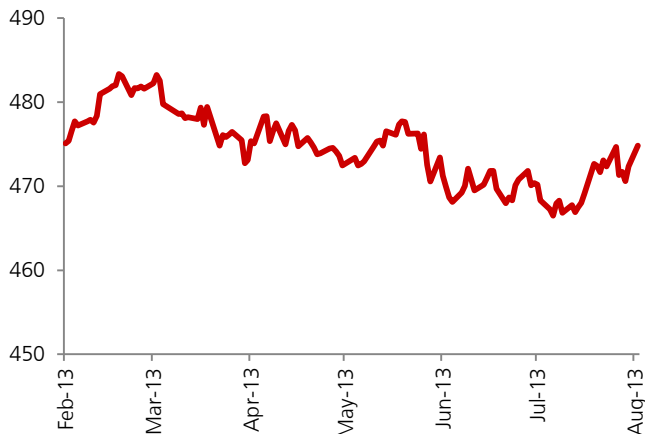
Source: Bloomberg, iBoxx Limited.

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

Commodities

	Last	O/N Change (%)	52-week High	52-week Low
Gold	1415.15	0.75	1796.08	1180.57
Crude oil	109.01	2.92	109.32	84.05
Wheat	650.75	-0.61	926.50	623.00
Corn	499.75	-3.10	819.00	453.75
Soybean	1414.00	-0.96	1794.75	1271.00
Sugar	479.40	-0.77	582.70	458.40
Coffee	116.75	-0.85	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 slumped more than 3% as confidence ebbed in the government. The lower house approved an INR1.35 trillion (USD20 billion) food bill to provide cheap grain to the poor, adding to concerns that the government is reversing its earlier tight grip on the purse strings. Even the approval of a raft of infrastructure projects worth INR1.83 trillion failed to restore confidence, as these reforms will take time. This sent the rupee to yet another lifetime low, taking the year's loss to nearly 17%.

Fixed Income

US Treasuries got a boost as potential military action and worries over the US debt ceiling drove investors towards safe-haven assets. Upbeat home price and consumer sentiment data was pushed to the sidelines. The US Treasury Department said the US will reach its borrowing limit in mid-October, an earlier deadline than many on Capitol Hill had expected. The benchmark 10-year note was up 23/32 in price to yield 2.722%, while the 30-year bond rose 1 12/32 to yield 3.705%.

Commodities

Tensions in Syria propelled oil futures nearly 3% higher. Though Syria is not a major oil player, traders are concerned that military action could spill over into the region, with major players like Iran and Russia backing Syrian President Bashar al-Assad's regime. Nymex crude for October delivery closed above USD109 per barrel for the first time in over a year.

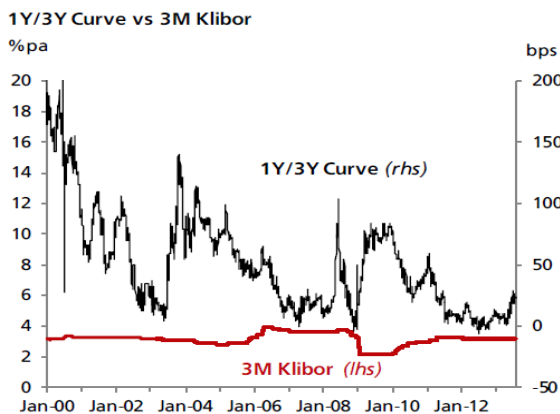
Gold futures climbed to a 15-week high against a tense Syrian backdrop. Gold for December delivery climbed to USD1,420.20 an ounce on the Comex.

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

ASIAN INSIGHTS

Malaysia: In the Footsteps of India and Indonesia?

Signs of Vulnerability in Malaysia



Source: DBS, as of 27 August 2013

Malaysia is still likely to run an annual current account surplus (albeit diminished) this year, compared to a likely deficit in excess of 3% of GDP for Indonesia and India. Upward pressure on short term MYR rates is unlikely to be of the same magnitude as these current account deficit economies. As such, there is scope for the 1Y/3Y segment of the MYR swap curve to continue steepening, driven by rising 3Y swap rates while 1Y swap rates stay low.

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

Following signs of stress in the external balances of India and Indonesia, attention has shifted to Malaysia. Fundamentally, Malaysia's external imbalances have deteriorated, with the current account surplus falling to MYR2.6 billion in 2Q, from a peak of MYR28.3 billion in 3Q11. The surplus then could be attributed to robust domestic demand propping up imports while exports stayed lacklustre.

Now, another point of vulnerability lies with the elevated level of local currency government debt held by foreign investors (32% as of 1Q13, compared to 13% in 4Q09 of total outstanding bonds).

In a more difficult funding environment, portfolio outflows would put upward pressure on rates. Upward pressure from rising US interest rates have already pushed front-end MYR swap rates sharply higher since late May to levels last seen in August 2011. This was before the Fed anchored the front end of the USD yield curve.

While there are signs of vulnerability regarding external funding, Malaysia's fundamentals are clearly stronger than India's or Indonesia's. Both those countries have been punished by traders who believe they do not have the tools to cover their current account deficit should inflows, particularly from the US, dry up.

FX Pulse

FX Round-up

	Last	O/N Change (%)	O/N High	O/N Low
EUR/USD	1.3393	0.19	1.3399	1.3323
USD/JPY	97.03	-1.50	98.54	96.99
AUD/USD	0.8985	-0.50	0.9039	0.8933
NZD/USD	0.7797	-0.70	0.7862	0.7766
GBP/USD	1.5547	-0.19	1.5592	1.5482
USD/SGD	1.2825	0.12	1.2854	1.2805
USD/CNY	6.1213	0.01	6.1259	6.1185
EUR/AUD	1.4908	0.70	1.4963	1.4795
AUD/SGD	1.1522	-0.41	1.1576	1.1471
NZD/SGD	1.0000	-0.58	1.0075	0.9969
GBP/SGD	1.9936	-0.09	2.0002	1.9894
AUD/NZD	1.1522	0.20	1.1538	1.1456
EUR/SGD	1.7176	0.30	1.7196	1.7105
EUR/GBP	0.8615	0.36	0.8624	0.8581

Currencies

Safe-haven currencies Japanese yen and Swiss franc gained as the US and its allies toughened its rhetoric on Syria. These currencies usually benefit in times of financial market stress and geopolitical concerns. The US dollar weakened against these, as positive home price and consumer confidence data took a backseat to tensions surrounding Syria. The dollar was 97.03 against the yen, and 0.9174 against the franc.

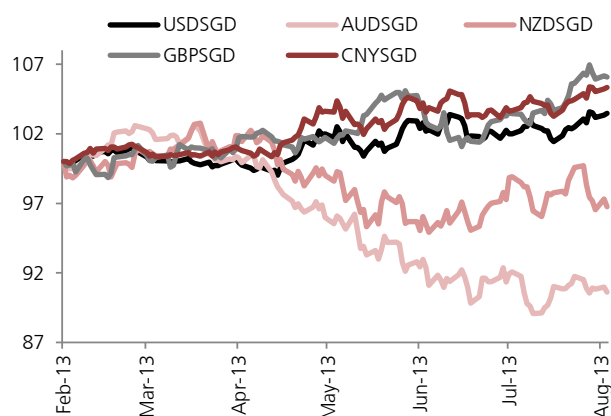
Tensions in Syria continued to have a larger-than-life impact on emerging market currencies. Indonesia's rupiah and Russia's rouble continued to hit multi-year troughs. The Indian rupee hit a new lifetime low as confidence ebbed in the government's ability to rein in spending after it announced a new USD20 billion food bill.

The euro was little changed despite German business sentiment hitting the highest in 16 months. Separately, ECB Executive Board member Joerg Asmussen reaffirmed the central bank's commitment to keep rates low for "an extended period of time".

Bank of England governor Mark Carney gives his first speech as BOE governor today, and analysts expect him to defend his low-rates plan. The pound was 1.5547 against the US dollar.

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	1.5636	1.5751
USD/JPY	Range	95.79	93.78	99.15	100.86
AUD/USD	Bearish	0.8846	0.8769	0.9069	0.9232
NZD/USD	Bearish	0.7682	0.7453	0.7873	0.7981
USD/CAD	Bullish	1.0445	1.0384	1.0539	1.0608
USD/SGD	Bullish	1.2769	1.2667	1.2859	1.3000
AUD/SGD	Range	1.1439	1.1249	1.1587	1.1753
NZD/SGD	Range	0.9909	0.9753	1.0072	1.0165
GBP/SGD	Bullish	1.9802	1.9535	2.0111	2.0275
EUR/SGD	Bullish	1.7057	1.6960	1.7335	1.7406
EUR/AUD	Range	1.4725	1.4437	1.5000	1.5253
AUD/NZD	Range	1.1413	1.1260	1.1642	1.1738
XAU/USD	Bullish	1384	1347	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 – 28 August 2013

Country	Event	Period	Survey	Actual	Prior
US	Pending Home Sales (MoM)	Jul	0.00%	--	-0.40%
TH	Manufacturing Production (YoY)	Jul	-2.00%	--	-3.50%
SK	Business Survey Manufacturing	Sep	--	--	73

Focus

Thailand, already in recession, could report a further fall in manufacturing production.

Source: Bloomberg

Bond risk rating changes

Effective	Bond Name	Issuer	Risk rating		Reason
			New	Existing	
22/8/2013	BCP 9 3/4 11/06/69	BANCO DE CREDITO DEL PER	4	5	S&P upgraded paper credit rating from BB+ to BBB-

Information updated as of 23 August 2013.

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