
MARKET OUTLOOK FOR THE WEEK (21st JANUARY 2013 – 25th JANUARY 2013)

Key Events Last Week

- GBP Retail Sales (YoY) (Dec) forecast of 2.0% higher than actual 1.1%
- NZD CPI (QoQ) (4Q) at -0.2% below forecast of 0.1%
- USD Housing Starts reported actual 12.1% growth compared to forecast of 3.3%
- EUR ECB Published Monthly Report
- AUD Unemployment Rate at 5.4%, similar to forecast
- USD US Fed Reserve Releases Beige Book
- USD CPI (YoY) (Dec) at 1.7%, marginally lower than forecasted 1.8%
- EUR Euro-Zone CPI (YoY) (Dec) at 2.2%, similar to forecast
- USD PPI (YoY) (Dec) forecast of 1.4% slightly higher actual 1.3%
- USD Advance Retail Sales (Dec) reported 0.5% compared to forecasted 0.2%
- EUR German CPI (YoY) (Dec) actual and forecast at 2.1%

Key Events to Focus on This Week

- JPY December Machine Tool Orders (YoY) (Monday, 2.00 pm)
- JPY BOJ Target Rate (Tuesday, tentative)
- JPY November All Industry Activity Index (MoM) (Tuesday, 12.30 pm)
- EC January ZEW Economic Sentiment Survey (Tuesday, 6.00 pm)
- US December Existing Home Sales (Tuesday, 11.00 pm)
- SG December CPI (Wednesday, 1.00 pm)
- JPY BOJ and Cabinet Office Monthly Economic Report for January (Wednesday, tentative)
- UK November Employment Change (3M/3M) (Wednesday, 5.30 pm)
- EC Euro Area Q3 Government Debt (Wednesday, 6.00 pm)
- EC January Euro-zone Consumer Confidence (Wednesday, 11.00 pm)
- US IMF release of World Economic Outlook Update (Wednesday, 11.00 pm)
- JPY January Japan buying Foreign and Japan Bonds/Stocks (Thursday, 7.50 am)
- EC November Euro-Zone Current Account (Thursday, 5.00 pm)
- EC January PMI (Thursday, 5.00 pm)
- US Conference Board Revisions of Leading Indicators (Thursday, 11.00 pm)
- JPY December National CPI (YoY) (Friday, 7.30 am)
- CH China MNI January Business Sentiment Indicator (Friday, 9.35 am)
- US December New Home Sales (Friday, 11.00 pm)

Time indicated is in SG Timing

Global Market Summary

US payroll tax rises

US payroll tax rises, creating a risk that the economy will slow in early 2013. This has affected consumer confidence as the Thompson Reuter's index for consumer sentiment dropped to 71.3, which is the lowest since December 2011.

China growth rebound slows

The growth of the second largest economy may be slowed due to the labor-force squeeze and shrinking resources that China is facing. The one-child policy is driving down labor force, which may hinder the country's potential as a market for everything. China reported a 7.9% expansion in the fourth quarter from a year earlier.

Dow Jones Industrial Average rises to 5-year high

US stocks rose sending the DJIA to a 5-year high, as Republicans plan to vote next week on a temporary increase in the debt-limit and investors watched corporate earnings.

Japan's government and Bank of Japan on monetary policy statement

The government and the Bank of Japan are getting closer to an agreement on a joint statement on monetary policy, which is expected to be issued next week. The government has been pressuring the BOJ to adopt a 2% inflation target and make job creation part of its monetary policy mandate.

S&P 500 sees large gains

The S&P 500 saw the largest gain after better than expected earnings from General Electric that sent stocks skyrocketing even while tech giants like Intel stocks dropped significantly. General Electric also reported a large order for industrial equipment from the emerging markets, which created a large influx in the global market.

Intel Corp. suffer losses

Intel suffered their third straight quarter of falling sales, indicating that intel is struggling to adapt to the new world of mobile devices while personal-computer industry is set to decline. Intel plans to invest \$13 billion on new equipment and infrastructure in 2013 to cater to the growing demand for mobile devices like handsets and tablets.

Eurozone employment at record high

The unemployment rate hit a record high of 11.8% in November, leaving 18.8 million people without work. Spain has the highest unemployment rate in the European union of 27%. This appears to be in contrast with the Economic Sentiment indicator which hit its highest level since July. The Eurozone economy shrank in the second and third quarters of 2012, and official data due next month are expected to confirm a contraction in fourth quarter output.

Yen slides to the lowest since 2010

The yen fell beyond 90 to the dollar for the first time since 2010 amid speculation that the currency will slide further as the BOJ and the government work aggressively to spur economic growth. The yen declined 0.2% TO 90.10 per dollar this week.

Natural gas rises on cold weather forecast

Natural gas increase to a six-week high in New York, which is the second straight weekly gain due to the cold weather forecast which indicated an increase in heating fuel demand. Gas futures for February delivery climbed 2.1%, resulting in the highest settlement price since December 2006.

FA Trade Idea

GOLDEN AGRI RESOURCES (GGR SP): PALM OIL BOTTOMING OUT

Current Price: 0.600

Target Price: 0.79

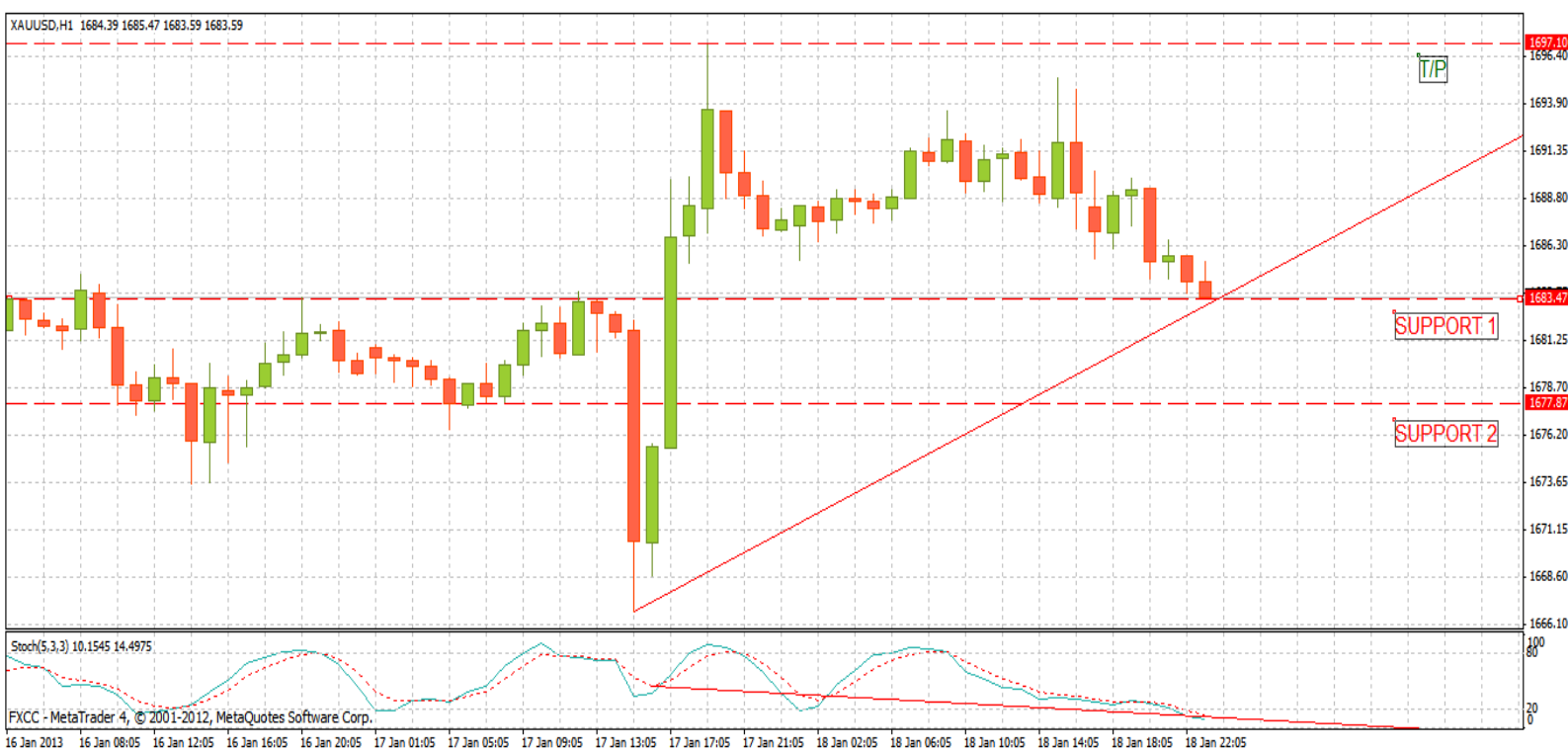
Return: 31.7%

Company Background: Largest listed Indonesian oil palm plantation group. Golden Agri-Resources (GGR) is the largest listed oil plantation group in Indonesia; with a total planted area of 459,502 hectares (including smallholders) as at 30 Sep12. It is a vertically integrated player with oil refining and kernel crushing capacities.

Why Golden Agri?

- 1) **Crude Palm Oil (CPO) Prices at 3 Year Low:** On 11 Jan, CPO fell to a three year low as palm oil stockpiles in Malaysia expanded to an all-time high. However, the decline in palm oil prices is not something new and we believe this has already been long factored into the GGR's share price and hence at 0.625, it is play on the recovery of palm oil prices.
- 2) **Indonesia May Cut Palm Oil Tax to Zero:** Indonesia is considering reducing export taxes to boost competition with Malaysia, which set its tariff for the CPO at zero recently to clear the record stockpiles. This will certainly aid palm oil shipments from Indonesia, driving GGR's sales higher.
- 3) **Share Price Decline Is Cyclical:** CPO stocks are primarily cyclical, contingent on the prices and world stockpile of palm oil. Currently, the concerns over palm oil prices are primarily due to the decline in China imports during 2012. However, we believe the current trading price of 0.625 (52-Week Low at 0.59) is a good entry point to ride the recovery of palm oil prices during 2013.

TA Trade Idea



XAUUSD, H1: Long

The XAUUSD pair retraced to the 1683.47 support level on Friday after an extremely bullish streak that was triggered after worse than expected Philly Fed Manufacturing Index reading was released on Thursday, causing dollar bulls to seek the traditional safe haven gold. We feel for the time being, the current sentiment is pointing towards the Fed not stopping easing too soon, as signalled by Fed's Bernanke last week. This is supported by a bullish divergence forming on the H1 chart. Hence, we feel that this retracement is a good opportunity to go long on gold

However, it must be noted that there are several potentially market moving news releases this week that might cause the pair to move unexpectedly. Notably, it would be wise to look out for the BOJ's policy decision regarding easing on Monday and Tuesday, which may affect risk sentiment.

We suggest that buying the pair once it bounces off the 1683.47 support level. With the stop loss at the 1677.87 support level and aiming for a profit at 1697.10 level.



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