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STOCKS

Fed leaves market guessing on rates

Focus now on Scotland referendum result which could have serious bearing on the pound

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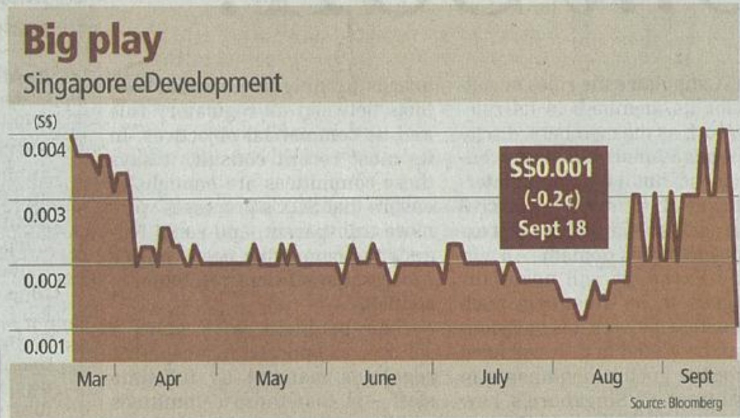
THE stock market wanted the US Federal Reserve to retain the phrase "a considerable time" at its latest Open Markets Committee meeting and got what it wanted, with the Dow Jones Industrial Average on Wednesday rising to yet another all-time closing high.

Problem is, the Fed kept the phrase but released other data that has left analysts unsure of what to expect next. This uncertainty was then reflected in Thursday's trading with the Straits Times Index managing only a 0.81 of a point rise to 3,297.29.

Turnover amounted to 1.9 billion units worth S$959.6 million versus S$925 million on Wednesday and excluding warrants, there were 170 rises against 238 falls.

The day's most actively traded stock was Catalist's Singapore eDevelopment, which dropped 0.2 cents to 0.1 cent on volume of 531 million. The property development and technology firm, formerly known as CCM Group, has just completed a large rights issue that raised net proceeds of S$40.6 million and will see its share capital enlarge from 1.23 billion to 28.53 billion. Trading in the counter comprised about 28 per cent of the day's entire unit volume.



Among the other actives was commodities firm Noble Group, which gained 5.5 cents at S$1.42 on volume of 66 million. In its Wednesday report, Macquarie Warrants (MW) said Macquarie Equities Research (MER) had earlier in the week issued an "outperform" on Noble with S$1.60 target.

"MER has cut 2014E EPS in Singapore dollar by 5 per cent on the back of Noble's guidance for lower sugar volumes in 2014 due to bad weather," said MW.

"This is not a structural issue. MER has raised 2015-16E earnings per share in Singapore dollar by 2-3 per cent on the back of lower finance costs. MER's price target drops marginally to S$1.60 from S$1.65."

The STI on Wednesday had gained 24 points on hopes that the Fed would say that interest rates would stay depressed for a considerable time after it ends its liquidity injections known as quantitative easing or QE.

However, as Bank of Singapore's chief economist, Richard Jerram, noted in his Thursday research report "Mixed signals from the Fed," the numerical forecasts from Fed members hat came out of the Fed meeting were relatively hawkish.

"While chair Yellen has been downplaying the significance of the "dot chart" that shows where the FOMC members think rates should be in the future, these forecasts suggest a rapid pace of tightening in 2015," wrote Mr Jerram.

"The mid-point of the forecasts for end 2015 implies five 0.25 per cent increases in the Fed Funds rate next year, with another six in 2016."

Rabobank also highlighted the shift in the dot plot which shows where Fed members forecast rates to be in the future and noted there is growing dissension to keeping "considerable time" on the table.

"In fact, we have seen support for removing or adapting 'considerable time' even from doves in the FOMC in recent weeks," said Rabobank.

"So we think that 'considerable time' will be on the table again at the next meeting in October."

All eyes will now be on Scotland, where the country on Thursday votes on whether to stay within the United Kingdom or to become an independent country.

There are worries that a "yes" vote for independence could have serious consequences for the UK currency and businesses.