

Headlines

- [ECB's Draghi sees no urgent need to cut rates further](#). *Reuters.com, 28 Dec 2013*
- [China says poor performing SOEs to be 'severely dealt with'](#). *Reuters.com, 29 Dec 2013*
- [Aso says can't rule out extra spending to support Japan economy](#). *Bloomberg.com, 29 Dec 2013*
- [US unemployment benefits lapse severs lifeline for longtime jobless](#). *Bloomberg.com, 29 Dec 2013*

Weekly Review (for week ending 27 December 2013)

■ IMF to raise US economic growth forecasts

The US economy will grow at a faster pace than previously expected, according to IMF Managing Director Christine Lagarde. The IMF's top official said Sunday on NBC's "Meet the Press" that growth is picking up, and that it's poised to accelerate as the business climate sees more certainty in 2014. Adding to that sense of certainty is a budget deal reached by Congress and clear communication from the Federal Reserve about its plan to wind down its bond-buying stimulus, Lagarde said. She did not offer a revised figure, but the IMF is due to revise its outlook next month. Last Friday, the US Commerce Department revealed Q3 GDP climbed at a revised 4.1% annualised rate due to strong healthcare and software services growth, the strongest since the Q4 of 2011 and up from a previous estimate of 3.6%.

■ Singapore inflation edged higher to 2.6% in November

November inflation rose 2.6% y/y, higher than the 2.0% y/y in the previous month. Consensus was expecting inflation to reach 2.5% y/y. The main driver for inflation was due to higher accommodation costs compared to the month of October when there was disbursement of the Service & Conservancy Charges rebates that helped to lower overall housing costs. Additionally, higher COE premiums caused private road transport costs to edge higher. Inflation risks in 2014 will come from domestic cost pressures coming mainly from higher labour costs and industrial rental prices. In addition, we may see the USD/SGD trending higher due to QE tapering. This may result in higher imported inflation, particularly for importers who pay their suppliers in USD.

■ US consumer spending up 0.5% in November

US consumer spending continued to gain pace in the key shopping month of November, buoyed by a slight rise in household income, the Department of Commerce reported on Monday. Spending was up 0.5% in November -- which includes Thanksgiving and the start of the Christmas shopping season -- compared to the same period last year. November's increase was higher than the 0.4% recorded in October, and came as household income ticked up by 0.2% after a disappointing 0.1% fall the previous month. Consumer spending accounts for more than two-thirds of US economic activity and is a keenly anticipated indicator.

■ Japan approves record US\$922 billion budget for 2014

Japan approved its biggest ever budget on Tuesday as an improving economy and a sales tax hike made room for more defence spending and the first step towards achieving a balanced budget. Prime Minister Shinzo Abe's cabinet rubber-stamped a plan that will see the government spend ¥95.88 trillion yen (US\$922 billion) in the year from April 2014, up from ¥92.61 trillion the previous year. The figure is the largest in Japan's history due to changes in accounting rules and a sales tax hike, which will rise from 5% to 8% on April 1. The lion's share of the extra revenue is ear-marked for spending on snow-balling medical fees and other social welfare costs. Even so, the projected primary balance deficit is expected to shrink by ¥5.2 trillion to ¥18.0 trillion. That means Japan's national debt -- already the highest proportionately in the industrialised world -- will continue to rise, albeit at a slower pace. The government's official policy is that Japan's primary balance should be in surplus by 2020, although most analysts expect that target to be missed.

■ US durable goods orders, new-home sales point to growth; better than expected

A pair of economic reports released Tuesday showed renewed optimism by businesses and prospective homeowners, two of the biggest drivers of US economic growth. Orders for US durable goods -- big-ticket items such as cars and aircraft designed to last more than three years -- rose by 3.5% last month, reversing a decline in October, the Commerce Department said. Excluding the volatile transportation category, manufactured-goods orders rose 1.2%, the strongest gain since May. Meanwhile, Americans continued to purchase new homes at a brisk pace in November, the latest sign the housing market is regaining traction after a rise in mortgage rates. New-home sales hit a seasonally adjusted annual rate of 464,000 last month, down only 2.1% from October's upwardly revised annual rate of 474,000. October and November marked the two strongest months of new-home sales since mid-2008, during the recession.

■ US jobless claims fall in positive sign for labour market

Jobless claims declined by 42,000 to 338,000 in the week ended December 21, a Labour Department report showed Thursday. The result was lower than analysts' forecast for a drop to 345,000. Continuing claims rose. The year-end holidays make it difficult to adjust for fluctuations in applications for jobless benefits. Other data show a pickup in employment is helping boost personal spending, which accounts for almost 70% of the economy. The four-week moving average for new claims increased 4,250 to 348,000.

■ Fireworks but no joy as Latvia joins Eurozone as the 18th member

Fireworks will light up the skies above Riga when Latvia adopts the euro on January 1, becoming the Eurozone's 18th member. PM Dombrovskis steered the gutted economy through a bailout and biting austerity to see Latvia post the top growth rate in the EU in 2011 and 2013 at 5%. Growth in 2013 is expected at 4.0%. Latvians took steep pay cuts as the government did not want to devalue the lat, which would have delayed adopting the euro. Many in the ex-Soviet Baltic nation of two million fear the euro will lead to higher prices.

Market Snapshot

Selected Equity Indices	Last (Dec 27)	1-week return	Year-to-date return
Dow Jones Industrial Average	16,478.41	1.59%	25.75%
S&P 500 Index	1,841.40	1.27%	29.11%
FTSE 100 Index	6,750.87	2.18%	14.46%
Euro Stoxx 50	3,111.37	2.03%	18.04%
Nikkei 225	16,178.94	1.94%	55.64%
Hang Seng Index	23,243.24	1.89%	2.59%
Shanghai SE Composite	2,101.25	0.79%	-7.40%
BSE Sensex Index	21,193.58	0.54%	9.10%
Straits Times Index	3,149.76	1.79%	-0.55%

Source: Bloomberg

Week Ahead

Economic Calendar (Selected Events)				
Mon, Dec 30	Tue, Dec 31	Wed, Jan 1	Thu, Jan 2	Fri, Jan 3
Pending Home Sales Index	S&P Case-Shiller HPI	New Year's Day	<i>Jobless Claims</i>	EIA Petroleum Status Report
Dallas Fed Mfg Survey	Chicago PMI		PMI Manufacturing Index	
	Consumer Confidence		<i>ISM Mfg Index</i>	
			Construction Spending	

Red: Market moving indicator

Black: Merits extra attention

Source: Bloomberg



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