

Headlines

- [All eyes on Berlin as ECB readies bond-buying scheme](#). *Reuters.com, 04 January 2015*
- [UK's Cameron will move EU referendum forward if possible](#). *Reuters.com, 04 January 2015*
- [Euro forecasters see more pain after worst year since 2005](#). *Bloomberg.com, 03 January 2015*
- [Germany sees Greek eurozone exit as manageable outcome, Spiegel says](#). *Bloomberg.com, 04 January 2015*

Weekly Review (for week ending 02 January 2015)

■ China's deposit rule change to free up RMB 5 trillion

China's central bank is joining the balancing act of developed-world counterparts as it extended its toolkit to free up what analysts say amounts to at least 5 trillion yuan in funds for lenders, seeking to support growth without inflaming financial risk. The PBoC will change rules governing how loan-to-deposit (LDR) ratios are calculated at banks starting from 2015. Under the current rules, Chinese banks are allowed to lend up to 75% of their deposits. From 2015, PBoC will include savings held by lenders for non-deposit-taking financial institutions into bank deposits. It will temporarily waive the reserve requirement for such deposits and this will help lower banks' LDR.

■ US consumer confidence rises in December

US consumer confidence increased in December, bolstered by a brightening jobs situation that left perceptions about economic conditions at a high last seen in February 2008, according to the Conference Board report released on Tuesday. Its index of consumer attitudes rose to 92.6 from an upwardly revised 91.0 in November. Economists expected a reading of 93.0 for December. November was originally reported as 88.7. The expectations index in December was 88.5 versus November's revised 89.3, and the present situation index rose to 98.6 from a revised 93.7 in November. The present situation index is now at its highest level since February 2008.

■ Jobless claims in US fell in 2014 to lowest in 14 years

Fewer Americans filed applications for unemployment benefits in 2014 than at any time in 14 years as the economic expansion strengthened. An average 308,500 workers a week filed jobless claims this year, the least since 299,600 in 2000, according to the Labour Department. Applications climbed by 17,000 to 298,000 in the week ended December 27, more than projected, displaying the typical year-end holiday swings. The increase in jobless claims was the first since late November. The median forecast called for 290,000.

■ Draghi: Risk of ECB failing its mandate higher than six months ago

ECB President Mario Draghi said the eurozone recovery was "fragile and uneven", and the risk of the ECB not fulfilling its mandate of preserving price stability was higher now than 6 months ago. There was a limited risk of deflation in the eurozone, but if inflation remained too low for too long and led to receding inflation expectations and a delay in spending, the ECB would need to act to fulfil its mandate.

■ Lithuania joins eurozone despite 40% of population being against

Lithuania has celebrated the New Year by joining the eurozone. The decision is country's bid to boost stability despite inflation fears and eurozone debt troubles. However, according to a November poll by the central bank, about 40% of the population opposed the move. Lithuania has already donated millions of euros to the eurozone's rescue fund for struggling EU members, such as Greece.

■ China December factory PMIs suggest economy cooling further, more stimulus expected

China's official manufacturing PMI slipped to 50.1 in December from November's 50.3, its lowest level of the year. Analysts had forecast a reading of 50.1. On Wednesday, the final HSBC/Markit PMI for December came in at 49.6, slightly higher than a preliminary "flash" reading of 49.5 but down from the final 50.0 in November. Growth in China's services sector, which accounts for close to half of the economy, remains robust, though firms are still shedding jobs. The official services PMI rose to 54.1 in December from November's 53.9. Authorities want services to overtake manufacturing as the bigger driver of activity in coming years. Export demand may also be bottoming out, with a stronger US economy helping to offset weakness in Europe and Japan. In any case, investors are focussed on the likelihood that Beijing will roll out more stimulus to avert a sharper slowdown which could trigger job losses and debt defaults.

■ Singapore GDP grows 1.5% y/y in Q4 of 2014 as manufacturing shrinks

The Singapore economy grew a weaker-than-expected 1.5% y/y in Q4 of 2014, slowing from Q3's 2.8% expansion as the manufacturing sector shrank in the final quarter. Analysts had estimated Q4 growth of 2.2% y/y. In quarter-on-quarter terms, the market economists' median forecast of an annualised 3.1% growth rate turned out to be optimistic too. MTI's advance estimates point to a quarter-on-quarter annualised growth rate of 1.6% in Q4, after seasonal adjustments. This was also a slowdown from Q3's 3.1% q/q expansion. All the key sectors weakened in Q4. In his New Year message, Prime Minister Lee Hsien Loong said the economy grew 2.8% in 2014, but the "moderately well" performance was dimmed by a "disappointing" minus 0.5% productivity growth in the first three quarters of the year.

■ US ISM manufacturing and construction spending data miss forecasts

The pace of growth in the US manufacturing sector slowed more than expected in December. The Institute for Supply Management (ISM) said its index of national factory activity fell to 55.5 in December from 58.7 in November. The reading was shy of expectations of 57.6. The drop-off comes in tandem with a similar slip in Markit's flash PMI, and indicates that activity in the factory sector has taken a hit on worries about global demand and a drop in oil prices. The decline dropped the ISM index to its lowest level since June. Separately, construction spending fell 0.3%, the first decline since June, to an annual rate of US\$975 billion and missing economists forecast for a rise of 0.3%.

Market Snapshot

Selected Equity Indices	Last (Jan 02)	1-week return	2014 return
Dow Jones Industrial Average	17,832.99	-1.22%	7.52%
S&P 500 Index	2,058.20	-1.46%	11.39%
FTSE 100 Index	6,547.80	-0.94%	-2.71%
Euro Stoxx 50	3,139.44	-1.42%	1.20%
Nikkei 225	17,450.77	-2.07%	7.12%
Hang Seng Index	23,857.82	2.18%	1.28%
Shanghai SE Composite	3,234.68	2.44%	52.87%
BSE Sensex Index	27,887.90	2.37%	29.89%
Straits Times Index	3,370.59	0.50%	6.24%

Source: Bloomberg

Week Ahead

Economic Calendar (Selected Events)				
Mon, Jan 5	Tue, Jan 6	Wed, Jan 7	Thu, Jan 8	Fri, Jan 9
	Factory Orders	ADP Employment Report	<i>Jobless Claims</i>	<i>Employment Situation</i>
	ISM Non-Mfg Index	<i>International Trade</i>		
		EIA Petroleum Status Report		
		<i>FOMC Minutes</i>		

Red: Market moving indicator

Black: Merits extra attention

Source: Bloomberg



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