

Headlines

- [BoE's Haldane says currency swap deals could be expanded](#). *Reuters.com, 04 Jan 2014*
- [Retreating US stimulus poses risk to world recovery](#). *Reuters.com, 04 Jan 2014*
- [Treasury yields climb to highest since 2011 as tapering to begin](#). *Bloomberg.com, 04 Jan 2014*
- [Japan companies say recovery to survive higher tax](#). *Bloomberg.com, 04 Jan 2014*

Weekly Review (for week ending 03 January 2014)

■ US resale home sales up in November, hint at stabilisation

Contracts to purchase previously owned US homes edged up in November, marking the first increase in six months and providing a hopeful sign the sector has begun to stabilise after its momentum was sapped by rising mortgage rates. A gauge of pending home sales increased 0.2%, after a 1.2% drop in October that was larger than initially reported, the National Association of Realtors said Monday. The median projection in a Bloomberg survey of economists called for a 1% advance. Higher mortgage rates, tight lending standards and price increases driven by a limited supply of homes for sale are discouraging some prospective buyers. Further gains in hiring, household wealth and consumer confidence would help boost the housing recovery and give greater momentum to the economy.

■ China's local government debt swells to RMB 17.9 trillion (US\$2.95 trillion) in audit

China's local-government debt swelled to RMB 17.9 trillion, underscoring risks to the financial system as President Xi Jinping rolls out economic reforms. The debt has risen sharply by 13% in 6 months, a pace that is clearly unsustainable especially as the growth environment turns moderate and interest rates would be driven by market mechanism. That followed a 48% increase over the previous two years. The banking system is also vulnerable to stresses in local government debt, as it provides more than half of the financing, while bond market plays only a minor role but has greater function in future in fiscal financing in China. The audit shows that government debt in China remains manageable and not at the brink of a "debt crisis" as some has been touting, with a government debt ratio of below 60% of GDP. However, challenges remain, including the pace of debt accumulation as well as over-indebtedness by some local governments.

■ US consumer confidence bounces back in December

US consumers turned sharply more confident about the economy and the job market in December, rebounding from a two-month downturn, The Conference Board reported Tuesday. The Conference Board consumer confidence index rose to 78.1 from an upwardly revised 72.0 in November. The October index plunged to 72.4 amid the 16-day government shutdown, from a level of 80.2 in September. The year-end boom exceeded analysts' expectations of a 77.1 reading and is now close to pre-government shutdown levels.

■ Singapore's economy expands 3.7% in 2013 but GDP contracted in Q4 as output eased

The Singapore economy expanded 3.7% in 2013, accelerating from a 1.3% pace the previous year. PM Lee Hsien Loong on December 31 reiterated a forecast for growth of 2% to 4% in 2014. However, GDP fell an annualised 2.7% in Q4 from Q3, when it expanded a revised 2.2%, the trade ministry said Thursday. The economy shrank for the first time in five quarters after its manufacturing and services industries weakened; a contraction that may be short-lived as the global recovery strengthens. Compared to a year ago, GDP grew 4.4% in Q4. Manufacturing fell 4% in Q4 from Q3; and services industry shrank 1.7% in the same period, while construction contracted 6.9%.

■ China's official December manufacturing PMI slips to 4-month low of 51

The manufacturing PMI was at 51, a 4-month low, the NBS and China's logistics federation said Wednesday. That was less than the median 51.2 estimate in a Bloomberg survey and November's 51.4. The final HSBC/Markit manufacturing PMI released on Thursday, slipped to 50.5 in December from 50.8 in November, unchanged from a preliminary reading. China's factory activity expanded at a slower pace in December, weighed down by shrinking export orders, consistent with views the economy's growth rate has moderated in Q4.

■ Eurozone manufacturing ends year on its high

The final December eurozone manufacturing PMI rose to 52.7, unchanged from the preliminary reading and up from November's 51.6, expanding for a third straight month in December, despite further weakness in France. The rise was supported by healthy performances in Germany, Italy and the Netherlands, while Greece posted a more than 4-year high reading of 49.6 in December. The gain is supported by a broad-based increase across the eurozone, with new orders rising to a 2½-year high, data firm Markit said.

■ US manufacturing slips in December but stays strong

Manufacturing grew in December at the second-fastest pace in more than two years, fuelled by a gain in orders that will help propel the US expansion. The ISM's factory index eased to 57 from the prior month's 57.3, which was the highest since April 2011. Business activity, consumption and construction spending are all beginning to point in the same positive direction.

■ Bernanke urges more action to cement economic recovery

Fed Chairman Ben Bernanke, who steps down at the end of January, called for more action to ensure the US recovers from the economic and financial crisis. Bernanke highlighted that the US unemployment rate fell from 10% in 2009 to 7.0% recently, but insisted: "Much progress has been made, but more remains to be done". The jobless rate "still is elevated", reiterating concerns about the "unusually high" number of long-term unemployed and declining participation in the labour force, in part probably due to workers discouraged by poor job prospects. An important factor holding back the economy was "disappointing" productivity growth and the reasons are not entirely clear.

Market Snapshot

Selected Equity Indices	Last (Jan 03)	1-week return	2013 return
Dow Jones Industrial Average	16,469.99	-0.05%	26.50%
S&P 500 Index	1,831.37	-0.54%	29.60%
FTSE 100 Index	6,730.67	-0.30%	14.43%
Euro Stoxx 50	3,074.43	-1.19%	17.95%
Nikkei 225	16,291.31	0.69%	56.72%
Hang Seng Index	22,817.28	-1.83%	2.87%
Shanghai SE Composite	2,083.14	-0.86%	-6.75%
BSE Sensex Index	20,851.33	-1.61%	8.98%
Straits Times Index	3,131.47	-0.58%	0.01%

Source: Bloomberg

Week Ahead

Economic Calendar (Selected Events)				
Mon, Jan 6	Tue, Jan 7	Wed, Jan 8	Thu, Jan 9	Fri, Jan 10
Factory Orders	<i>International Trade</i>	ADP Employment Report	<i>Jobless Claims</i>	<i>Employment Situation</i>
ISM Non-Mfg Index		EIA Petroleum Status Report		
		<i>FOMC Minutes</i>		

Red: Market moving indicator

Black: Merits extra attention

Source: Bloomberg



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