

Headlines

- [Obama to take action on manufacturing goal next week](#). *Reuters.com, 11 Jan 2014*
- [Price war in US mobile market raises fear of profit hemorrhage](#). *Reuters.com, 11 Jan 2014*
- [US House to vote on 3-day spending to avert shutdown](#). *Bloomberg.com, 11 Jan 2014*
- [Fischer will be nominated Federal Reserve's number 2 by Obama](#). *Bloomberg.com, 11 Jan 2014*

Weekly Review (for week ending 10 January 2014)

■ Yellen gets final stamp of approval to head US Fed

Janet Yellen, a key force behind the Federal Reserve's unprecedented and controversial efforts to boost the US economy, was confirmed by the Senate on Monday to lead the central bank just as it begins to unwind that stimulus. When she succeeds Ben Bernanke, whose second four-year term as Fed chairman expires on January 31, Yellen will become the first woman to run the Fed in its 100-year history and just one of a handful of women heading central banks globally. She is currently the Fed's vice chair. The vote to approve her was 56-26. Yellen won resounding support from Democrats, but many Republicans voted no.

■ US trade gap shrinks to four-year low on record exports

The US trade deficit shrank sharply in November as exports hit a record high for the second straight month, official data showed Tuesday in a positive sign for economic growth. The foreign trade deficit narrowed 12.9% from October, the second month in a row of contraction, to a four-year low of US\$34.3 billion, the Commerce Department reported. That was the smallest trade deficit in goods and services with the rest of the world since September 2009. The deficit was much lower than expected; analysts had forecast US\$40.4 billion. October's deficit was US\$39.3 billion. November exports rose 0.9% to a record US\$194.9 billion. Export gains came mainly from aircraft and aircraft engines, chemicals and finished metal shapes. Imports fell 1.4% to US\$229.1 billion amid a decline in oil prices.

■ Eurozone unemployment at 12.1% shows economic struggles

Eurozone unemployment held at a record in November as policy makers struggled to bolster the recovery from the currency bloc's longest recession. The jobless rate remained at 12.1%, the EU's statistics office in Luxembourg said. That's in line with the median estimate in a Bloomberg survey. After several revisions of previous months' data, unemployment has been stable at that level since April, Eurostat said. While unemployment remains resistant to policy makers' attempts to boost the economy, positive signs are gradually accumulating. November retail sales increased 1.4% from the previous month, beating analysts' estimates, and 1.6% year on year, Eurostat said.

■ Eurozone inflation drop sparks deflation fears; puts pressure on ECB

Consumer prices in the eurozone barely increased last month, raising fears of deflation and putting pressure on the ECB to take further action. Inflation in the 17 EU member states that were using the euro in 2013 rose in December at an annual rate of only 0.8%, Eurostat reported on Tuesday in a first estimate that will be subject to revision in the weeks ahead. The December figure, which did not include Latvia since it adopted the euro on January 1, was slightly lower than the 0.9% annual inflation rate for November. Europe's deflationary pressure may be a symptom of a larger problem in which austerity measures and imbalances among countries have hampered growth.

■ December FOMC minutes: Fed officials saw waning benefits from bond buying

Federal Reserve officials saw declining economic gains from the central bank's asset purchases and voiced concern about future risks to financial stability during their last FOMC meeting, when they started tapering bond buying. Policy makers will gather January 28-29 to consider the next step in their strategy of gradually reducing the pace of bond buying as the economy strengthens. The minutes didn't describe a set schedule for reductions, although "a few" officials mentioned the need for a "more deterministic path".

■ China's producer prices extend longest slump since 1990s

China's producer prices, a measure of the cost of goods as they leave the factory, extended the longest slide since the 1990s in December, adding to evidence that the world's second-largest economy weakened last month. The producer-price index fell 1.4% from a year before, the 22nd straight drop, and consumer-price gains trailed estimates at 2.5%, government reports showed in Beijing. The data followed declines in gauges of manufacturing and services based on surveys of purchasing managers.

■ ECB chief strengthens pledge to keep rates low

Mario Draghi strengthened the ECB's pledge to keep interest rates low for as long as necessary and warned that it's too soon to say the fight against Europe's debt crisis is won, even as stocks and bonds rally and countries such as Ireland and Portugal return to the debt market. The economy is still struggling to grow amid subdued prices and the threat of rising market rates as the Fed tapers its own monetary stimulus. Draghi specified two factors that could prompt the ECB to cut rates again: "rising market rates" and "no deflation".

■ US economy adds paltry 74,000 jobs, but jobless rate drops to 6.7% in December

The US added a paltry 74,000 jobs in December, in a slowdown in employment creation that put pause to hopes that the economy has moved into higher gear. The Labour Department data released on Friday was far below the 197,000 jobs economists had expected, and less than half the monthly average of the past 12 months. The unemployment rate fell sharply from 7.0% to 6.7%, the lowest level since October 2008. But that normally good news was largely explained by nearly 350,000 people dropping out of the workforce, rather than getting jobs. The news threw expectations about the Fed's QE tapering into question and it may forego another taper move this month.

Market Snapshot

Selected Equity Indices	Last (Jan 10)	1-week return	Year-to-date return
Dow Jones Industrial Average	16,437.05	-0.20%	-0.84%
S&P 500 Index	1,842.37	0.60%	-0.32%
FTSE 100 Index	6,739.94	0.14%	-0.14%
Euro Stoxx 50	3,104.15	0.97%	-0.16%
Nikkei 225	15,912.06	-2.33%	-2.33%
Hang Seng Index	22,846.25	0.13%	-1.97%
Shanghai SE Composite	2,013.30	-3.35%	-4.85%
BSE Sensex Index	20,758.49	-0.45%	-1.95%
Straits Times Index	3,143.87	0.40%	-0.74%

Source: Bloomberg

Week Ahead

Economic Calendar (Selected Events)				
Mon, Jan 13	Tue, Jan 14	Wed, Jan 15	Thu, Jan 16	Fri, Jan 17
Treasury Budget	<i>Retail Sales</i>	<i>Producer Price Index</i>	<i>Consumer Price Index</i>	<i>Housing Starts</i>
	Import and Export Prices	Empire State Mfg Survey	<i>Jobless Claims</i>	<i>Industrial Production</i>
	Business Inventories	EIA Petroleum Status Report	Treasury International Capital	Consumer Sentiment
		Beige Book	<i>Philadelphia Fed Survey</i>	
			Housing Market Index	

Red: Market moving indicator

Black: Merits extra attention

Source: Bloomberg



For more reports, use your smartphone to scan the QR code

Disclaimers

The information herein is given on a general basis without obligation and is strictly for information purposes only. It is not intended as an offer or solicitation with respect to the purchase or sale of any investment or insurance product mentioned herein. Nothing herein should be construed as a recommendation or advice to transact in any investment or insurance product mentioned herein.

Although every reasonable care has been taken to ensure the accuracy and objectivity of the information contained in this publication, United Overseas Bank Limited ("the Company") and its employees cannot be held liable for any errors, inaccuracies or omissions, howsoever caused, or for any decision or action taken based on the information or views expressed in this publication. The Company does not warrant the accuracy, adequacy, timeliness or completeness of the information herein for any particular purpose, and expressly disclaims liability for any errors, inaccuracies or omissions. Any opinions, projections and other forward-looking statements regarding future events or performance of, including but not limited to, countries, markets or companies are not necessarily indicative of, and may differ from actual events or results.

The information herein has no regard to the specific objectives, financial situation and particular needs of any specific person. Investors may wish to seek advice from an independent financial advisor before investing in any investment or insurance product. Should you choose not to seek such advice, you should consider whether the investment or insurance product in question is suitable for you.