

Headlines

- [BOJ's Kuroda optimistic on Japan growth, inflation outlook](#). *Reuters.com, 25 Jan 2014*
- [IMF's Lagarde sees eurozone inflation 'way below target'](#). *Reuters.com, 25 Jan 2014*
- [Tax amnesty program draws 106 Swiss banks, US prosecutor says](#). *Bloomberg.com, 26 Jan 2014*
- [Fed slows purchases while UK growth picks up: Global Economy](#). *Bloomberg.com, 26 Jan 2014*

Weekly Review (for week ending 24 January 2014)

■ China's Q4 GDP growth better than forecasted

China's Q4 GDP report came in slightly better than expected at 7.7% y/y versus 7.6% expectation but below the 7.8% pace in Q3. Full year growth for 2013 was at 7.7%, the same as in 2012, but well below the 9.3% pace in 2011. Going forward, a moderate growth outlook for China remains in place, and more importantly, policy risks have increased in 2014.

■ Japan industrial output falls in November

Japan's November industrial production was revised lower, declining 0.1% m/m the first contraction in three months and instead of the previously reported 0.1% increase, according to revised data released Monday (20 Jan), a worrying sign of slowing growth in the third biggest economy. This was in contrast to the November machinery orders (a key measure of capital spending) which accelerated to a five-year high of 9.3% m/m, suggesting a pick-up in corporate investment.

■ IMF upgrades world growth forecast to 3.7% in 2014

The world economy will grow by more than previously expected this year, the IMF forecast on Tuesday. In an update to its "World Economic Outlook", the IMF predicted global economic growth of 3.7% in 2014, an upgrade on the 3.6% growth it forecast last October. Japan and Spain saw their outlooks upgraded by the IMF, and are now seen growing by 0.6% and 1.7% respectively in 2014. The IMF boosted UK growth forecast by more than any other G7 nation, forecasting growth of 2.4% in 2014 and 2.2% in 2015 compared with October growth forecasts of 1.9% and 2%. The report warned that some advanced economies, particularly those in the euro zone, were at risk from very low inflation, which the IMF said increased real debt burdens and could result in premature interest rate increases.

■ Bank of Japan sticks to record easing as inflation picks up

The Bank of Japan refrained from boosting unprecedented easing as accelerating inflation marks progress in its bid to stamp out 15 years of falling prices in Asia's second-biggest economy. Governor Haruhiko Kuroda's board stuck to its pledge to expand the monetary base by an annual ¥60 trillion to ¥70 trillion (US\$671 billion) on Wednesday after a two-day meeting, in line with the forecasts of economists. The BOJ maintained its projection that core consumer prices will rise 1.9% in the year starting April 2015, excluding the effect of sales-tax increases, and scrapped a reference to the economy facing "uncertainty". The strength of Japan's economic recovery will be tested after the sales tax is increased to 8% in April from 5%, a move that economists forecast will trigger a 4.1% annualised contraction in Q2.

■ UK unemployment drops to 7.1% as BOE threshold looms

UK unemployment fell more than economists forecast to the lowest rate in almost five years, putting it within touching distance of the 7% threshold at which BOE officials say they will review borrowing costs. Unemployment measured by ILO methods declined to 7.1% in the quarter through November from 7.4% in the quarter through October, the ONS said. The median forecast was for a decline to 7.3%. The data will add pressure on BOE Governor Mark Carney to reassess his guidance policy, under which the Monetary Policy Committee has said it will consider raising interest rates once joblessness has fallen to 7%. With that threshold approaching faster than officials had anticipated, economists say the central bank will refine the flagship policy when it publishes its quarterly Inflation Report on February 12.

■ HSBC China flash PMI 49.6, first contraction in 6 months

China's manufacturing may contract for the first time in six months, adding to stresses in the world's second-biggest economy, according to a gauge released by HSBC and Markit. The preliminary reading of 49.6 for January in the manufacturing PMI released Thursday was below a final figure of 50.5 in December and estimates of 50.3 in a Bloomberg survey. The final reading will be released on January 30.

■ Singapore December CPI inflation eases lower to 1.5%

CPI inflation in December rose 1.5% y/y, markedly lower than the 2.6% y/y in November and well under the consensus forecast of 2.0% y/y. The lower inflationary pressure was due mainly to the decline in private road transport costs and a smaller increase in accommodation costs. For the full year 2013, CPI inflation averaged at 2.4%. For 2014, we expect inflation to average 3.3% from domestic cost pressures as a result of higher labour costs and industrial rental prices. Core inflation (which excludes housing and private road transport) also moderated slightly to 2.0% y/y in December, compared to 2.1% a month ago, due to cheaper retail items such as clothing and footwear.

■ US jobless claims inch higher, but overall trend lower

New claims for US unemployment benefits rose slightly last week but the overall trend headed lower as the job market slowly improves. First-time jobless claims totalled a seasonally adjusted 326,000 in the week ending January 18; an increase of 1,000 claims from the prior week's 325,000, revised down by 1,000. The four-week moving average fell by 3,750 claims to 331,500. A year ago, the average was 343,000. The total number of people claiming any unemployment benefits fell by more than a million to 3.7 million in the week ending January 4. The unemployment rate fell to 6.7% in December from 7.0% in November as people continued to drop out of the labour force.

Market Snapshot

Selected Equity Indices	Last (Jan 24)	1-week return	Year-to-date return
Dow Jones Industrial Average	15,879.11	-3.52%	-4.21%
S&P 500 Index	1,790.29	-2.63%	-3.14%
FTSE 100 Index	6,663.74	-2.42%	-1.26%
Euro Stoxx 50	3,028.20	-3.99%	-2.60%
Nikkei 225	15,391.56	-2.18%	-5.52%
Hang Seng Index	22,450.06	-2.95%	-3.67%
Shanghai SE Composite	2,054.39	2.47%	-2.91%
BSE Sensex Index	21,133.56	0.33%	-0.18%
Straits Times Index	3,075.99	-2.27%	-2.89%

Source: Bloomberg

Week Ahead

Economic Calendar (Selected Events)				
Mon, Jan 27	Tue, Jan 28	Wed, Jan 29	Thu, Jan 30	Fri, Jan 31
<i>New Home Sales</i>	<i>Durable Goods Orders</i>	EIA Petroleum Status Report	<i>GDP</i>	<i>Personal Income and Outlays</i>
Dallas Fed Mfg Survey	S&P Case-Shiller HPI	<i>FOMC Meeting Announcement</i>	<i>Jobless Claims</i>	Employment Cost Index
	Consumer Confidence		Pending Home Sales Index	Chicago PMI
				Consumer Sentiment

Red: Market moving indicator

Black: Merits extra attention

Source: Bloomberg



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