

Headlines

- [Emerging market funds lose US\\$9 billion in past week: EPFR](#). *Reuters.com, 31 Jan 2014*
- [Germany preparing new Greek aid package - Spiegel](#). *Reuters.com, 01 Feb 2014*
- [China manufacturing gauge falls to 6-month low](#). *Bloomberg.com, 01 Feb 2014*
- [Abenomics at risk as workers struggle to keep up with inflation](#). *Bloomberg.com, 31 Jan 2014*

Weekly Review (for week ending 31 January 2014)

■ Japan trade deficit hits record high in 2013

Japan's trade deficit swelled to a record US\$112 billion in 2013, as its post-Fukushima energy bills soared, outstripping a rise in shipments overseas. The shortfall of ¥11.47 trillion marked the biggest deficit since comparable data started in 1979, with the December deficit alone doubling from a year earlier. Japanese energy imports surged after the 2011 Fukushima crisis forced the shutdown of nuclear reactors that once supplied a third of Japan's power. A sharp decline in the yen, which is good for exporters' profitability, also forced up the cost of importing pricey fossil-fuels to plug the country's energy gap. Exports in 2013 rose 9.5% to ¥69.79 trillion, their first increase in three years.

■ Drop in US new-home sales caps the best year since 2008

Sales of new US homes dropped more than forecast in December as cold weather helped put a chill on an industry at the end of its best year since 2008. Purchases decreased 7% to a 414,000 annualised pace, lower than any estimate of economists surveyed by Bloomberg, Commerce Department figures showed. For all of 2013, demand jumped 16.4% to 428,000. The coldest December in four years discouraged sales at the same time affordability weakened as prices and interest rates climbed. The slackening shows the challenges faced by Federal Reserve officials as they trim stimulus aimed at boosting the expansion.

■ Annual UK GDP growth hits 6-year high after Q4 figures

UK GDP rose by 0.7% in Q4, according to an initial estimate from the Office for National Statistics, with growth for the year as a whole rising at its fastest rate since 2007. The quarter-on-quarter figure, in line with analyst estimates, follows on from the 0.8% growth rate reported in both Q2 and Q3. The vast majority of that growth came from the services sector, which contributed 0.61% to the headline figure. That means the UK economy grew by 1.9% for 2013 as a whole, the fastest rate of growth since 2007.

■ US durable goods orders fall in December

New orders for US manufactured durable goods fell 4.3% in December, dragged down in part by declines in orders for aircraft and autos. Durable goods orders fell to US\$229.3 billion in December, the second monthly decline in the past three months. In November, orders had climbed 2.6%. The December drop surprised analysts who on average expected orders to increase 2.1%. Despite weakness in the latter part of the year, durable goods orders were up 4.9% in 2013 from 2012. Excluding transportation, orders were up 3.5%.

■ Slump in eurozone money supply growth highlights deflation risk

Eurozone money supply growth slowed sharply in December and loans to the private sector contracted further, putting pressure on the ECB to take fresh action to counter the threat of deflation. With eurozone inflation running well below its target, the ECB forcefully underlined its determination earlier this month to take action should a deflation risk arise or rising money market rates threaten the bloc's fragile recovery. Data released by the ECB on Wednesday showed that eurozone M3 money supply - a general measure of cash in the economy - grew at an annual pace of 1.0%, slowing markedly from 1.5% in November.

■ Fed officials unite behind taper as Yellen era begins; additional US\$10 billion monthly taper

Federal Reserve policy makers cut the pace of bond buying for a second straight meeting, uniting behind a strategy of gradual withdrawal from Ben Bernanke's unprecedented easing policy as Janet Yellen prepares to succeed him as chairman. The FOMC said it will trim monthly purchases by US\$10 billion to US\$65 billion, citing labour-market indicators that "were mixed but on balance showed further improvement" and economic growth that has "picked up in recent quarters". It was the first meeting without a dissent since June 2011, showing the tapering strategy has brought together policy makers concerned the Fed's record US\$4.1 trillion balance sheet risks causing asset price bubbles with those who, like Vice Chairman Yellen, say more needs to be done to reduce unemployment.

■ Final China HSBC PMI dips to 6-month low in January as new orders weaken

Business conditions for China's manufacturers worsened in January as output and new order growth weakened, pointing to a weak start for the economy in 2014. The Markit/HSBC final manufacturing PMI for January dipped to 49.5 from December's 50.5, the first deterioration in six months. The figure was in line with the 49.6 reported in the preliminary version of the PMI released a week earlier.

■ US economy shrugs off shutdown with 3.2% growth in Q4

Strong household spending and robust exports kept the US economy on solid ground in Q4, but stagnant wages could chip away some of the momentum in early 2014. GDP grew at a 3.2% annual rate in Q4, above the 3.0% projected by analysts. While that was a slowdown from Q3's brisk 4.1%, it was a far stronger performance than had been anticipated earlier in the quarter and welcome news in light of some drag from October's partial government shutdown. Real GDP increased 1.9% in 2013 compared with an increase of 2.8% in 2012. The second estimate will be released on 28 February, said the Commerce Department. Consumer spending rose at a 3.3% rate, the strongest since Q4 of 2010. Consumer spending, which accounts for about 70% of US economic activity, advanced at a 2% pace in Q3.

Market Snapshot

Selected Equity Indices	Last (Jan 31)	1-week return	Year-to-date return
Dow Jones Industrial Average	15,698.85	-1.14%	-5.30%
S&P 500 Index	1,782.59	-0.43%	-3.56%
FTSE 100 Index	6,510.44	-2.30%	-3.54%
Euro Stoxx 50	3,013.96	-0.47%	-3.06%
Nikkei 225	14,914.53	-3.10%	-8.45%
Hang Seng Index	22,035.42	-1.85%	-5.45%
Shanghai SE Composite	2,033.08	-1.04%	-3.92%
BSE Sensex Index	20,513.85	-2.93%	-3.10%
Straits Times Index	3,027.22	-1.59%	-4.43%

Source: Bloomberg

Week Ahead

Economic Calendar (Selected Events)				
Mon, Feb 3	Tue, Feb 4	Wed, Feb 5	Thu, Feb 6	Fri, Feb 7
PMI Manufacturing Index <i>ISM Mfg Index</i> Construction Spending	Factory Orders	ADP Employment Report ISM Non-Mfg Index EIA Petroleum Status Report	<i>International Trade</i> <i>Jobless Claims</i> Productivity and Costs	<i>Employment Situation</i>

Red: Market moving indicator

Black: Merits extra attention

Source: Bloomberg



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