

Headlines

- [Economy matters most in Scottish independence vote: poll](#). *Reuters.com, 09 Feb 2014*
- [Europe faces electoral and policy crossroads](#). *Reuters.com, 09 Feb 2014*
- [Lew urges debt-limit rise as US nears borrowing ceiling](#). *Bloomberg.com, 08 Feb 2014*
- [China must tolerate some volatility in market rates, PBOC says](#). *Bloomberg.com, 08 Feb 2014*

Weekly Review (for week ending 07 February 2014)

■ Eurozone manufacturing hits 32-month high

Eurozone manufacturing activity hit a 32-month high in January, driven by economic powerhouse Germany and helped as struggling France finally picked up, a key survey showed on Monday. The Markit Economics eurozone manufacturing sector PMI, a leading indicator of growth, rose to 54 points in January from 52.7 in December, moving further into positive territory. Markit said the expansion in January was the strongest since May 2011, with the headline figure rising in each of the last four months. German activity rose to 56.5 points in January from 56.3 in December, while France increased to 49.3, still in negative territory, from 48.8. There was also a pick-up in Spain and Italy, while twice-bailed out Greece saw its manufacturing PMI rise above 50 points for the first time since August 2009.

■ US manufacturing growth slows markedly in January

Factories expanded in January at the weakest pace in eight months as colder-than-usual winter weather slowed demand and production, bringing a halt to recent momentum in US manufacturing. The ISM's factory index decreased to 51.3 from 56.5 the prior month. Stocks plunged after the figures showed a measure of orders declined by the most since December 1980 as a number of companies said adverse weather slowed business. General Motors and Ford Motor said that fewer Americans ventured out to motor-vehicle dealerships during the coldest January in two decades. Manufacturing accounts for about 12% of the economy. The factory gauge averaged 53.9 for all of 2013. The ISM's new orders measure plunged to 51.2 last month from 64.4 in December. A gauge of production dropped to the lowest since May, while an index of order backlogs fell to a five-month low. The inventory gauge decreased to its lowest since December 2012.

■ Cyprus banks saddled with massive 42.3% of non-performing loans

Banks in recession-hit Cyprus, reeling from a financial crisis, are struggling with non-performing loans that represents 42.3% of total lending and are hampering efforts to finance a cash-starved economy. The central bank says banks' liquidity is sufficient to absorb NPLs up to a certain point, but fast action is needed as the figure is rising. So government, lenders and borrowers are seeking ways to reverse the trend without further damaging an economy forecast to contract 8.7% in 2013 and another 3.9% in 2014. The total NPLs (loans more than three months in arrears or rescheduled several times) was €23 billion in September, well in excess of GDP at only €17 billion euros.

■ Japan's real wages down, matching 2009 crisis low

Japan's base wages adjusted for inflation last year matched a 16-year low in 2009 when the world was gripped by recession, posing a risk to consumer spending as the nation girds for a higher consumption tax. Pay excluding bonuses and overtime payments dropped to 98.9 in 2013 on a labour ministry index released Wednesday that takes price changes into account, equalling the level four years earlier. The gauge is based at 100 in 2010 in data back to 1990. Prime Minister Shinzo Abe is calling on firms to boost wages to sustain a reflationary effort so far driven by stimulus and the yen's 18% drop against the US dollar last year. Amid a backdrop of market turbulence, business and union leaders met yesterday to start annual pay talks - due to end in March, a month before a 3% increase in the sales levy.

■ Surprise expansion in Singapore manufacturing

Singapore's manufacturing sector has got off to a surprisingly strong start in 2014, going by the improvement in January's PMI. The barometer of industrial activity swung back above the 50-point threshold to a reading of 50.5. January's reading also beat the consensus market forecast of 50.1, surprising economists who had expected the Chinese New Year holidays to take some shine off manufacturing's performance. Indeed, the higher January PMI was thanks to further expansion in new domestic and export orders, as well as a return to growth in output and imports. Manufacturers also reported that orders were diverted to Singapore due to the unrest in Bangkok.

■ US trade deficit swells to US\$38.7 billion, up 12% in December, higher than forecast

The US trade deficit widened sharply in December as exports slumped amid a sluggish global economy. The Commerce Department said the deficit rose to US\$38.7 billion in December, a 12% increase from November's upwardly revised US\$34.6 billion level. Exports tumbled 1.8% in December, to US\$191.3 billion, and imports edged up 0.3%, to US\$230.0 billion. The decline in exports in December was entirely due to a fall in exports of goods, led by industrial supplies and materials and capital goods. Services exports increased, reflecting gains in travel, passenger fares and other transportation services. For all of 2013, the US had the smallest deficit since 2009, mainly thanks to a 2.8% rise in exports, although slightly lower imports helped. The 2013 trade deficit was US\$471.5 billion, a decline of 11.8% from 2012.

■ US economy adds just 113,000 jobs in January, but jobless rate falls to 6.6%

The US economy adds 113,000 jobs in January, below economists' expectations of 175,000 jobs, suggesting continuing weakness after December's poor numbers of 75,000. The monthly average for 2013 was 194,000. While hiring was strong in construction and professional services, retailers and government authorities at all levels shed significant numbers of workers. The survey of households showed a surge in people returning to the workforce and getting jobs: 638,000 more people had work last month over December, pulling the overall unemployment rate down to 6.6% from 6.7% in December and 7.9% a year ago. The labour force participation rate rose to 63%.

Market Snapshot

Selected Equity Indices	Last (Feb 7)	1-week return	Year-to-date return
Dow Jones Industrial Average	15,794.08	0.61%	-4.72%
S&P 500 Index	1,797.02	0.81%	-2.78%
FTSE 100 Index	6,571.68	0.94%	-2.63%
Euro Stoxx 50	3,038.49	0.81%	-2.27%
Nikkei 225	14,462.41	-3.03%	-11.23%
Hang Seng Index	21,636.85	-1.81%	-7.16%
Shanghai SE Composite	2,044.50	0.56%	-3.38%
BSE Sensex Index	20,376.56	-0.67%	-3.75%
Straits Times Index	3,013.14	-0.47%	-4.87%

Source: Bloomberg

Week Ahead

Economic Calendar (Selected Events)				
Mon, Feb 10	Tue, Feb 11	Wed, Feb 12	Thu, Feb 13	Fri, Feb 14
		EIA Petroleum Status Report	<i>Jobless Claims</i>	Import and Export Prices
		Treasury Budget	<i>Retail Sales</i>	<i>Industrial Production</i>
			Business Inventories	Consumer Sentiment

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.