

Headlines

- [ECB ready to take 'decisive action' if needed: Coeure](#). *Reuters.com*, 15 Feb 2014
- [Greek PM says budget surplus tops forecast, allows spending](#). *Reuters.com*, 15 Feb 2014
- [Obama signs debt-limit measure along with military retiree boost](#). *Bloomberg.com*, 16 Feb 2014
- [China record new credit boosts outlook for economic growth](#). *Bloomberg.com*, 16 Feb 2014

Weekly Review (for week ending 14 February 2014)

■ Japan's consumer sentiment weakens for second month

Confidence among Japanese households deteriorated for a second successive month in January. The seasonally adjusted consumer confidence index fell to 40.5 in the beginning of 2014 from 41.3 in December last year. In November, the reading was 42.5. Among the sub-components, the overall livelihood index dropped to 37.5 in January from 37.8 in the prior month. The measure of income growth eased to 38.6 from 39. The indicator of consumers' willingness to buy durable goods came in at 36.4, down from December's score of 40. Meanwhile, the employment sub-index rose sharply to 49.3 from 48.2, marking the second successive increase.

■ Yellen signals no change to Fed's policy

As widely expected, new Fed Chair Yellen offered little new in her testimony to the House Financial Services Committee. Neither did she deviate from course during the Q&A. In her prepared remarks, she emphasized a great deal on the expected continuity in the FOMC's approach to monetary policy. Yellen's description on the economy and policy outlook was also familiar, although she did note that the Fed had been "watching closely" the recent volatility in global financial markets (comments that were not made in the January FOMC statement), but at this stage the Fed's sense is that these developments do not pose a substantial risk to the US economic outlook.

■ China trade surplus jumps to US\$32 billion in January

China's trade surplus jumped to US\$31.9 billion in January, easing concerns the world's second-largest economy may be stuck in a slowdown. The figure was up 14% from a year earlier and stronger than forecasts for a US\$23.7 billion surplus. Imports rose by 10% from a year earlier to US\$175.27 billion, led by record shipments of crude oil, iron ore and copper. Exports increased by 10.6% from a year earlier, far faster than analysts' forecasts, to US\$207.13 billion. Analysts have doubts on the reliability of data as China's strong exports are not mirrored in other Asian economies such as Taiwan, Korea and HK. Trade figures may have been distorted by over-invoicing.

■ House of Representatives approves 'clean' debt limit after Republicans drop demands

The House of Representatives narrowly approved a one-year extension of federal borrowing authority after Republicans caved into President Barack Obama's demands to allow a debt limit increase without any conditions. The 221-201 vote, carried mainly by Democrats, marked a dramatic shift from the confrontational fiscal tactics House Republicans have used over the past three years, culminating in last October's 16-day government shutdown. It now sets aside a divisive issue until after the 2014 congressional elections in November.

■ BoE raises 2014 GDP growth forecast, rewrites forward guidance

BoE governor Carney said the economic recovery is gathering pace, but output gap means it's too early to raise borrowing costs. The BoE also recast its guidance on future interest rates to say it would use monetary policy to combat slack in the British economy, rather than focusing on an employment threshold for determining borrowing costs. Sterling surged last Wednesday as money markets moved to factor in a UK interest rate rise earlier in 2015 than previously thought after the BoE upped its economic forecast for 2014 growth to 3.4% from 2.8% and pushed up expectations of a rate hike next year. It also said market pricing calling for the first tightening of policy in five years in the second quarter of next year were consistent with keeping inflation on target, prompting a sharp jump in sterling against the dollar.

■ Australia's jobless rate hits decade high of 6%

Australia's unemployment rate rose to 6.0% in January, the highest level since July 2003. The forecast was for 5.9%. Unemployment in December was unrevised at 5.8%. The total number of people with jobs fell 3,700 to 11.460 million, said the ABS. Full-time employment fell 7,100 to 7.953 million in January and part-time employment was up 3,400 to 3.507 million. The participation rate was steady at 64.5%.

■ Cold weather chills US retail sales, jobless claims up

US retail sales fell unexpectedly in January and more Americans filed for jobless benefits last week, the latest signs the economy started the year on softer footing as unseasonably cold weather took its toll. Retail sales fell 0.4% last month, led by a tumble in automobile sales and categories like clothing, furniture stores and restaurants that depend of foot traffic. Economists had expected retail sales to hold steady. December sales were revised downwards to show a 0.1% dip from an increase of 0.2%. The Labour Department said initial claims for state unemployment benefits rose 8,000 to a seasonally adjusted 339,000 in the week ended February 8. Economists had expected them to slip to 330,000. A four-week moving average of claims rose 3,500 to 336,750, suggesting layoffs have picked up only marginally.

■ Eurozone growth eases pressure on Draghi for stimulus

The eurozone economy expanded more than forecast in Q4 of 2013, led by Germany and France, easing pressure on the ECB to take action next month to counter low inflation and spur growth. GDP in the eurozone rose 0.3% after a 0.1% increase in Q3, the EU's statistics office said, beating the median forecast of 0.2% in a Bloomberg survey. For the full year 2013, GDP fell 0.4%. Germany, Europe's largest economy, fuelled the expansion with 0.4% growth in Q4, while French GDP rose 0.3%. Both results exceeded economists' forecasts.

Market Snapshot

| Selected Equity Indices | Last (Feb 14) | 1-week return | Year-to-date return |
|------------------------------|---------------|---------------|---------------------|
| Dow Jones Industrial Average | 16,154.39 | 2.28% | -2.55% |
| S&P 500 Index | 1,838.63 | 2.32% | -0.53% |
| FTSE 100 Index | 6,663.62 | 1.40% | -1.27% |
| Euro Stoxx 50 | 3,119.06 | 2.65% | 0.32% |
| Nikkei 225 | 14,313.03 | -1.03% | -12.14% |
| Hang Seng Index | 22,298.41 | 3.06% | -4.32% |
| Shanghai SE Composite | 2,115.85 | 3.49% | -0.01% |
| BSE Sensex Index | 20,366.82 | -0.05% | -3.80% |
| Straits Times Index | 3,038.71 | 0.85% | -4.06% |

Source: Bloomberg

Week Ahead

| Economic Calendar (Selected Events) | | | | |
|-------------------------------------|--------------------------------------|---------------------------------|-------------------------------------|--------------------------------|
| Mon, Feb 17 | Tue, Feb 18 | Wed, Feb 19 | Thu, Feb 20 | Fri, Feb 21 |
| US Holiday: Presidents' Day | Empire State Mfg Survey | <i>Housing Starts</i> | <i>Consumer Price Index</i> | <i>Existing Home Sales</i> |
| | Treasury International Capital | <i>Producer Price Index</i> | <i>Jobless Claims</i> | |
| | Housing Market Index | <i>FOMC Minutes</i> | PMI Manufacturing Index Flash | |
| | | | <i>Philadelphia Fed Survey</i> | |
| | | | EIA Petroleum Status Report | |

Red: Market moving indicator

Black: Merits extra attention

Source: Bloomberg



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