

Headlines

- [UK growth may be stronger than official data - Bank of England's Bean](#). *Reuters.com*, 14 Mar 2014
- [China doubles yuan trading band, seen as sign of confidence](#). *Reuters.com*, 15 Mar 2014
- [Moody's raises outlook for European Union to stable](#). *EUbusiness.com*, 15 Mar 2014
- [Yellen chairs first meeting as guidance in focus: Global Economy](#). *Bloomberg.com*, 15 Mar 2014

Weekly Review (for week ending 14 March 2014)

■ Japan final Q4 GDP revised down on weaker consumption growth

GDP growth in Q4, the fifth straight quarterly expansion, was revised down to +0.2% (annualised +0.7%) from the initial reading of +0.3% (annualised +1.0%) as consumer spending, the main driver for recent growth, was weaker than initially estimated while the upward revision to private-sector inventories was smaller than forecast. The Q4 growth came from domestic demand (+0.7%, revised down from the initial +0.8%), which was partly offset by an unrevised 0.5% **decline** in external demand.

■ Japan current account deficit hits record ¥1.6 trillion; BOJ holds off new easing measures

In a further negative sign for the export-reliant economy, Japan's current account deficit widened to a record ¥1.589 trillion, easily exceeding a median estimate for a ¥1.4 trillion yen deficit as shipments failed to substantially pick up despite a weaker yen. The disappointing data join a recent run of soft indicators that have raised doubts about Prime Minister Shinzo Abe's strategy to spark sustainable growth through massive monetary and fiscal stimulus, as well as structural reforms. The BOJ, as expected, voted unanimously to maintain its pledge of increasing base money, its key policy gauge, at an annual pace of US\$589-US\$687 billion.

■ China suggests full interest rate liberalisation in 2 years

China's central bank governor Zhou Xiaochuan said on Tuesday that the country's deposit rates are likely to be liberalised in one to two years - the most explicit timeframe to date for what would be the final step in freeing up banks to set their own interest rates. The move will let financial markets decide the price of loans, which economists say will go a long way to prevent the wasteful investment funded by artificially cheap credit that has led to a massive buildup in debt. Zhou said he expected deposit rates to rise as a result of liberalisation.

■ Australia business conditions suffer setback in February

Australian business conditions pulled back sharply in February from the three-year highs touched the previous month, though firms surveyed remained relatively upbeat on the outlook for the economy. National Australia Bank's survey showed the sharpest reversal came in manufacturing, perhaps no surprise given constant reports of job cutting and closures. The index of business conditions dropped 5 points to stand at 0 in February, with the measure of employment off 6 points at -6. Sales and profits also retreated but remained positive for the month. The measure of business confidence fell 2 points to stand at +7, though that was still above its long-run average.

■ UK retail sales slow in February after bumper January

British retail sales slowed markedly in February after a robust January as food sales stagnated, an industry survey showed on Tuesday. The British Retail Consortium (BRC), a trade body, said the total amount spent in stores last month was 0.7% higher than a year earlier, after a bumper 5.4% rise in January which was the biggest jump in nearly three years. Official retail sales figures, which cover a broader range of retailers, for February are due on March 27. In contrast to the BRC's release, data from the Office of National Statistics showed an unexpectedly sharp fall in retail sales in January. Home accessories, followed by furniture and flooring, were the top performers thanks to a recovery in Britain's housing market which has benefited from record low interest rates and government-sponsored schemes.

■ RBNZ begins rate hike cycle as economy gathers momentum

The RBNZ lifted its official cash rate by 0.25% to 2.75%, raising rates from a record low of 2.50%. The latest move signifies the first rate change since March 2011, making New Zealand the first major developed economy to lift interest rates from record lows. Whilst the rate rise was widely anticipated, the comments that came with the decision were more aggressive than expected. RBNZ Governor Graeme Wheeler said the RBNZ raised its growth forecasts for 2015 to 3.2% from 2.8% and for 2016 to 2.2% from 2.1%, adding that it sees inflation reaching the 2% midpoint of its target range by the second quarter of this year, and that inflationary pressures are increasing.

■ US retail sales rebound from winter chill, jobless claims fall

US retail sales rebounded in February and new filings for jobless benefits hit a fresh three-month low last week, suggesting the economy was regaining strength after an abrupt slowdown caused by severe weather. Retail sales increased 0.3% last month, with receipts rising in most categories. The gain followed a 0.6% drop in January and ended two straight months of declines. The Labour Department said initial claims for state unemployment benefits dropped 9,000 to a seasonally adjusted 315,000 last week. That was the lowest reading since late November. The initial claims seasonally adjusted 4-week moving average fell 6,250 to 330,555, the lowest since early December.

■ Harsh winter blamed as US consumer sentiment slips

US consumer sentiment weakened in early March as an unusually harsh winter appeared to dim views on the economy's prospects. The preliminary Thomson Reuters/University of Michigan index of consumer sentiment fell to 79.9 in March from 81.6 the prior month. Separately, the government's seasonally adjusted PPI for final demand dropped 0.1% last month. On its own, the price data does not raise any concerns about inflation and would make policymakers feel more comfortable holding interest rates near zero for many more months.

Market Snapshot

Selected Equity Indices	Last (Mar 14)	1-week return	Year-to-date return
Dow Jones Industrial Average	16,065.67	-2.35%	-3.08%
S&P 500 Index	1,841.13	-1.97%	-0.39%
FTSE 100 Index	6,527.89	-2.75%	-3.28%
Euro Stoxx 50	3,004.64	-2.93%	-3.36%
Nikkei 225	14,327.66	-6.20%	-12.05%
Hang Seng Index	21,539.49	-4.95%	-7.58%
Shanghai SE Composite	2,004.34	-2.60%	-5.28%
BSE Sensex Index	21,809.80	-0.50%	3.02%
Straits Times Index	3,073.72	-1.99%	-2.96%

Source: Bloomberg

Week Ahead

Economic Calendar (Selected Events)				
Mon, Mar 17	Tue, Mar 18	Wed, Mar 19	Thu, Mar 20	Fri, Mar 21
Empire State Mfg Survey	<i>Consumer Price Index</i>	EIA Petroleum Status Report	<i>Jobless Claims</i>	
Treasury International Capital	<i>Housing Starts</i>	<i>FOMC Meeting Announcement</i>	<i>Philadelphia Fed Survey</i>	
<i>Industrial Production</i>		<i>Chair Press Conference</i>	<i>Existing Home Sales</i>	
Housing Market Index				

Red: Market moving indicator

Black: Merits extra attention

Source: Bloomberg



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