

Headlines

- [ECB sees eurozone GDP positive in third quarter: Constancio](#). *Reuters.com*, 13 September 2014
- [EU seeks billions of euros to revive economy](#). *Reuters.com*, 13 September 2014
- [China factory output slump tests Premier Li's resolve](#). *Bloomberg.com*, 14 September 2014
- [Scottish independence polls conflict in campaign climax](#). *Bloomberg.com*, 14 September 2014

Weekly Review (for week ending 12 September 2014)

■ Japan Q2 GDP falls more than expected, data revised to -7.1% annualised

Japan's economy shrank an annualised 7.1% in Q2 from the previous quarter, worse than a preliminary estimate of -6.8%, and adding to doubts over whether the BoJ can achieve its target of 2% inflation early next year. The contraction was the biggest since Q1 of 2009, when the global financial crisis hit Japan's exports and factory output, and some analysts now expect the economy to barely grow in the current fiscal year to March 2015, with a median forecast of 0.4%. The revision was largely due to a bigger than expected fall in capital expenditure and a deeper decline in consumer spending, suggesting the economy could struggle to overcome the April sales tax increase.

■ Record German trade surplus points to strong Q3

Germany posted a record trade surplus of €22.2 billion in July, suggesting Europe's largest economy could bounce back strongly in Q3 after suffering a surprise contraction in Q2. Seasonally-adjusted data from the Federal Statistics Office showed exports surged 4.7% to €98.2 billion, the most goods and services Germany has ever sent abroad in a single month. It was the sharpest rise in exports since May 2012, easily outstripping expectations for a modest 0.5% increase. Coming on the heels of July data showing industrial output and orders jumping, the trade figures suggest the German economy will be able to skirt a technical recession in Q3 after shrinking by 0.2% in Q2.

■ China's trade surplus hits new high of US\$49.8 billion

China's trade surplus hit a record high in August for the second month in a row as imports fell on the back of domestic weakness in the world's second-largest economy and exports grew on stronger US and foreign demand. Exports grew 9.4% on year in August, down from a 14.5% rise in July, while imports declined by 2.4%, after a 1.6% drop in July. Exports were slightly higher than expected, while imports were significantly lower than forecast. With exports rising to the U.S., Europe and Southeast Asia and imports falling, China's trade surplus with the rest of the world widened to a record of \$49.8 billion in August, up from the \$47.3 billion surplus posted in July, a development that could intensify calls from the US Congress for Beijing to allow the yuan currency to appreciate further after weakness this year.

■ MAS poll shows Singapore 2014 GDP growth cut to 3.3%

In the professional forecasters poll conducted by MAS, Singapore's median Q3 GDP is expected to grow 3.3%, slower than the 3.5% in the June survey. Inflation rate is forecasted to be 1.8% in 2014, compared with 2.2% earlier. The USD/SGD rate may be at 1.265 at end-2014 compared with 1.27 earlier. Unemployment rate may be 2% at year-end while Singapore's NODX may fall 1.1% y/y in 2014; whereas the June survey predicted 4.1% gain. 2015 GDP is forecasted to rise 3.7% y/y, while 2015 inflation rate would probably register 2.2%.

■ China inflation in August cools more than expected

China's consumer inflation eased to a four-month low in August while factory-gate prices extended their decline to 30 months, adding room for government stimulus to support the economy amid a property slump. The CPI rose 2% y/y, compared with the 2.2% y/y consensus estimates, and 2.3% y/y in July. The PPI fell 1.2%, compared with projections for a 1.1% drop. The data added to signs of weakness in domestic demand after figures this week showed declining imports and a slowdown in money-supply expansion, bolstering the case for additional measures to support the economy, particularly as actual inflation is well below the 3.5% target for 2014.

■ Over to you, ECB's Draghi tells eurozone governments

ECB President Mario Draghi said that structural, fiscal and monetary policies need go hand in hand for the eurozone to reap the investment return and "efforts should be focused on jump-starting investment". He urged governments to find space to support productive investment, and achieve a more growth-friendly composition of fiscal policies. He reiterated that the ECB is prepared to take new measures if needed in order to meet price stability mandate, and the new measures will have a sizeable impact on ECB balance sheet.

■ US jobless claims hit two-month high, breaking steady decline

The number of Americans filing for unemployment benefits unexpectedly rose last week to a two-month high, interrupting a steady decrease to the lowest level since before the last recession. Weekly initial jobless claims climbed higher to 315,000 from last week's 304,000 (higher than the projected 300,000) while continuing claims also climbed higher to 2,487,000 (from last week's 2,478,000) but it was slightly better than the expected 2,490,000. The four-week average of claims increased to 304,000 from 303,250 the week before.

■ August retail sales increase in US by most in four months

US retail sales rebounded in August after a slow July, the Commerce Department reported on Friday, in fresh evidence of steady if only moderate growth in the economy. Retail sales grew 0.6% last month over July, to US\$444.4 billion, and were up 5.0% year-on-year. July's data was revised from a flat month-on-month gain - which had lowered hopes for the economy - to one of 0.3%. The greatest strength, as has been for the year, came from automobile sales, which showed a 1.5% increase in purchases, the best showing since March, and up 9.5% last month over August 2013. Retail sales excluding autos increased 0.3% in August for a second month.

Market Snapshot

Selected Equity Indices	Last (Sep 12)	1-week return	Year-to-date return
Dow Jones Industrial Average	16,987.51	-0.87%	2.48%
S&P 500 Index	1,985.54	-1.10%	7.42%
FTSE 100 Index	6,806.96	-0.70%	0.86%
Euro Stoxx 50	3,235.07	-1.23%	4.06%
Nikkei 225	15,948.29	1.78%	-2.11%
Hang Seng Index	24,595.32	-2.55%	5.53%
Shanghai SE Composite	2,331.95	0.24%	10.21%
BSE Sensex Index	27,061.04	0.13%	27.82%
Straits Times Index	3,345.55	0.11%	5.62%

Source: Bloomberg

Week Ahead

Economic Calendar (Selected Events)				
Mon, Sep 15	Tue, Sep 16	Wed, Sep 17	Thu, Sep 18	Fri, Sep 19
Empire State Mfg Survey	<i>PPI-FD</i>	<i>Consumer Price Index</i>	<i>Housing Starts</i>	
<i>Industrial Production</i>	Treasury International Capital	Housing Market Index	<i>Jobless Claims</i>	
		EIA Petroleum Status Report	<i>Philadelphia Fed Survey</i>	
		<i>FOMC Meeting Announcement</i>		
		<i>FOMC Forecasts</i>		
		<i>Chair Press Conference</i>		

Red: Market moving indicator

Black: Merits extra attention

Source: Bloomberg



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