

## Headlines

- [G20 says nearing growth goal, but more needed from Europe](#). *Reuters.com, 21 September 2014*
- [Head of Germany's central bank criticises ECB stimulus plan](#). *Reuters.com, 21 September 2014*
- [NZ's John Key wins third term in landslide election victory](#). *Bloomberg.com, 21 September 2014*
- [Lew says Treasury completing work on limiting inversions benefit](#). *Bloomberg.com, 21 September 2014*

## Weekly Review (for week ending 19 September 2014)

### ■ OECD downgrades growth forecast of major economies

In its latest global economic outlook, the OECD downgraded the growth forecast for major economies, and called for further action by ECB including QE. It revised US 2014 growth forecast to 2.1% from 2.6%, 2015 growth forecast to 3.1% from 3.5%. Eurozone 2014 GDP growth forecast lowered to 0.8% from 1.2%, while 2015 forecast also lowered to 1.1% from 1.7%. Japan's 2014 GDP growth forecast is reduced to 0.9% from 1.2% while 2015 forecast is reduced to 1.1% from 1.3%. OECD reaffirmed China 2014 GDP growth forecast at 7.4% but warned of the risk of US monetary policy tightening, causing disruptive international financial flows and sharp exchange rate swings.

### ■ US industrial production falls in August for first time since January

US industrial production fell in August for the first time this year, a sign of uneven improvement in the economy. Industrial production, which measures the output of US manufacturers, utilities and mines, fell 0.1% in August from July, versus forecast of a 0.3% gain. July's increase was revised down to 0.2% from 0.4% and August capacity utilisation fell 0.3% to a 78.8% rate. Manufacturing production, the biggest and most closely watched component of the overall figure, fell 0.4% last month after jumping 0.7% in July due to strong output from automobile factories. Excluding autos, factory output rose by 0.1% in July and August after expanding by 0.3% in the prior 3 months.

### ■ Brief reprieve as Singapore NODX gained 6% in August

Singapore's NODX expanded 6.0% y/y in August, partially due to low base effects, and was much higher than market estimates of a 2.5% y/y gain and the 3.3% y/y decline in July. This was due to the increase in non-electronic NODX that outweighed electronic NODX in August. The August expansion was a temporary reprieve from the past three months of decline that was due to poor performance in both electronic and non-electronic exports. On a seasonally-adjusted m/m basis, NODX rose 7.6%, following the 2.5% increase in July. Electronics exports continued to decline for the 25th consecutive month and fell 6.9% y/y in August, slightly worse than consensus estimates of a 6.4% y/y decline. UOB maintains its 2014 NODX growth forecast of -1.0% as electronic NODX drags overall NODX growth.

### ■ US QE taper continues in September with hints of hawkish signals

The September 2014 FOMC saw the Fed continue to trim the Fed's monthly QE further by another US\$10 billion to US\$15 billion and announce an updated exit strategy plan while making minimal changes to the text of the FOMC statement. Yellen said that the "considerable time" statement remains appropriate but highly conditional on economic data. She also said that it is important for the markets to understand that the policy statement is "not a promise" about a particular amount of time. That said, Yellen also undermined the dovish guidance by emphasizing the Fed having the flexibility to move sooner if they see the need to.

### ■ Fed slashes US growth forecast for 2015

The Fed's September assessment of the US outlook remained moderate and balance but one concern was the downgrade of US GDP growth forecast slightly in 2014 to 2.0%-2.2% (from 2.1%-2.3%) while more markedly in 2015 to 2.6%-3.0% (from 3.0%-3.2%), which could suggest that Fed's US growth outlook is losing momentum. Meanwhile, the unemployment rate was now expected to improve at a slightly faster pace to 5.9%-6.0% in 2014 (from 6.0%-6.1% previously) and to 5.4%-5.6% in 2015 (from 5.4%-5.7% previously) but the interesting bit was that improvement in unemployment rate in 2017 to 4.9%-5.3% could "overshoot" the longer run rate of 5.2%-5.5%.

### ■ US jobless claims decline to 2-month low; housing starts tumble 14.4% in August

The US weekly initial jobless claims fell markedly by 36,000 to 280,000 (week ending 13 Sep), from a revised 316,000, showing a return to downtrend as the jobs market continues to improve. The four-week average of initial claims decreased to 299,500 from 304,250 the week before. The US housing market was less rosy as the August housing starts fell sharply by 14.4% m/m to 956,000 units after a strong 22.9% increase in July and the decline was due to the very volatile multi-family sector. Expectation was for a more moderate contraction of -5.2%. August building permits also contracted more than expected by 5.6% m/m to 998,000 units, compared to the 8.6% increase in July.

### ■ Scotland votes 'NO' in referendum on independence

Scotland has voted "No" to independence by a majority of 55% against 45%. Alex Salmond, the leader of Scotland's semi-autonomous government in Edinburgh, said he accepted the defeat and called for national unity. The central bank made no statement after the results.

### ■ ECB eyes capital quality of eurozone banks

The ECB may use its regulatory clout to make sure European banks are adding the right kind of capital, not just the right amount. Policy makers say banks have added €200 billion of additional capital since mid-2013 to boost their resilience. Yet only about 25% of that sum is pure equity, as banks stock up on hybrid debt and tax arrangements whose loss absorbency is largely untested. The ECB is wrapping up a year-long probe into asset valuations and capital levels at 131 of the region's biggest banks as it prepares to assume its new role as the eurozone's bank supervisor on Nov 4. Officials have said that they'll take a tougher stance on lenders' ability to withstand future losses.

## Market Snapshot

Selected Equity Indices	Last (Sep 19)	1-week return	Year-to-date return
Dow Jones Industrial Average	17,279.74	1.72%	4.24%
S&P 500 Index	2,010.40	1.25%	8.77%
FTSE 100 Index	6,837.92	0.45%	1.32%
Euro Stoxx 50	3,273.25	1.18%	5.28%
Nikkei 225	16,321.17	2.34%	0.18%
Hang Seng Index	24,306.16	-1.18%	4.29%
Shanghai SE Composite	2,329.45	-0.11%	10.09%
BSE Sensex Index	27,090.42	0.11%	27.96%
Straits Times Index	3,305.05	-1.21%	4.34%

Source: Bloomberg

## Week Ahead

Economic Calendar (Selected Events)				
Mon, Sep 22	Tue, Sep 23	Wed, Sep 24	Thu, Sep 25	Fri, Sep 26
<i>Existing Home Sales</i>	PMI Manufacturing Index Flash	<i>New Home Sales</i>  EIA Petroleum Status Report	<i>Durable Goods Orders</i>  <i>Jobless Claims</i>	<i>GDP</i>  Consumer Sentiment

Red: Market moving indicator

Black: Merits extra attention

Source: Bloomberg



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