UOB 大華銀行

UOB WEALTH BANKING

UOB Personal Financial Services
Deposits, Investments & Insurance Strategy
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Monday, 13 October 2014

Weekly Update

Headlines

- Fed officials say global slowdown could push back US rate hike. *Reuters.com, 11 October 2014*
- European bank mergers still face hurdles post-stress tests. *Reuters.com, 12 October 2014*
- Draghi says growing ECB balance sheet is last stimulus tool left. *Bloomberg.com, 12 October 2014*
- Former PBOC adviser says property weakness will lower GDP growth. *Bloomberg.com, 12 October 2014*

Weekly Review (for week ending 10 October 2014)

BoJ pledges prolonged stimulus but signals no immediate action

BoJ Governor Haruhiko Kuroda stressed his resolve to maintain massive stimulus for a prolonged period but shrugged off the need to expand it soon, remaining upbeat on the outlook despite signs the economy may be in a mild recession. Kuroda also stuck to his view that a weak yen is positive for Japan's economy. But he slightly modified his tone by nodding to concerns from the business community that further yen declines will hurt small firms and households by boosting import costs. As expected, the BoJ maintained its pledge of increasing base money, or cash and deposits, at an annual pace of ¥60-70 trillion via purchases of government bonds and risky assets.

IMF trims global growth outlook, warns of eurozone stagnation

The IMF on Tuesday warned of stagnation in advanced economies as it trimmed its growth forecast for the whole world. It lowered its forecast for global growth this year to 3.3%, down 0.1% from July and 0.4% less than it envisaged in April. The 2015 outlook has been cut to 3.8% growth, compared with 4.0% previously forecast. The growth forecast for the world's largest economy, the United States, was revised upward 0.5% to 2.2% this year, recognizing the country's sharp rebound from a first-quarter contraction. That served to offset in the overall figure worrisome growth downgrades for the eurozone -- cut to just 0.8% this year and 1.3% in 2015 -- and Japan, slashed to 0.9% this year and 0.8% next year. Forecasts for China, the second-largest economy, were unchanged at 7.4% this year, 7.1% in 2015.

Australia unemployment rises as stats office casts aside volatile data

Australia's unemployment rate rose to 6.1% in September, government figures showed Thursday, in line with economist forecasts. Data from the ABS showed the jobless rate climbed from 6% in both August and July. The bureau revised the unemployment rate for those two months from 6.1% and 6.4%, respectively, after making changes to its methodology around seasonal adjustments. The ABS said that 29,700 net jobs were lost in September, compared with an expected 15,500 gain. Without the changes to its methodology, the number of jobs lost would have been about 172,000, the agency reported. The number of people in full-time work rose by 21,600 in September, while those in part-time work fell by 51,300, it added. The workforce participation rate, or the proportion of working-age people in employment or actively seeking it, fell to 64.5% in September from 64.7% in August. Economists had expected a rise in the participation rate to 64.8%.

BoE keeps rates on hold, maintains size of stimulus as expected

The BoE voted 7-2 to keep its main interest rate at a record-low level of 0.50%, with Britain experiencing low inflation and steady economic recovery. The Committee also voted to maintain its cash stimulus or quantitative easing at £375 billion. Minutes of the meeting, containing reasons behind the decisions, will be published on October 22. The BoE's main task is to keep inflation close to a government-set target of 2.0%, while Britain's 12-month inflation in fact dipped to 1.5% in August. BoE governor Mark Carney last month hinted that the bank could begin to raise interest rates in early 2015, citing the UK’s economic recovery which compares favourably with gloom hanging over the neighbouring eurozone, Britain's main trading partner. Two policy makers voted for a rise to 0.75%, citing potential inflationary pressures.

German, French trade data hit by falling exports

The economic skies above the eurozone darkened again on Thursday as data showed a sharp drop in exports from its two biggest economies, Germany and France. German exports shrank by a massive 5.8% in August, the steepest drop since January 2009, causing its trade surplus to shrink to €17.5 billion. In neighbouring France, exports dropped by 1.3%, pushing the trade deficit up to €5.8 billion, the highest figure since January. France's big trade deficit is worsening with the US and Asia, mainly because of a decline in Airbus deliveries. The German statistics office said the late timing of the summer holidays in August instead of in July had weighed on economic activity. Evidence of a German slowdown is more prevalent in imports, which fell for a second month and are heading for a 0.6% decline in Q3.

Jobless claims in US fall, with average at 8-year low

A healthier job market helped spark the biggest gain in Americans’ confidence in almost a year, raising prospects for the economy at the start of fourth quarter. The number of people seeking jobless benefits at state employment agencies averaged 287,750 in the four weeks ended October 4, an eight-year low, according to figures from the Labour Department. First-time claims for jobless benefits unexpectedly dropped by 1,000 to 287,000 last week. The four-week average, a less-volatile measure, was the lowest since February 2006.

Li confident on China growth as Merkel seeks German boost

Prime Minister Li Keqiang said China’s target of 7.5% growth this year is attainable as German Chancellor Angela Merkel reached out to expand trade with the world’s second-biggest economy. Li met with Merkel on Friday in Berlin, the third top-level talks this year between the export powers. “The global economy is currently in a weak state and there are many turbulences”, Li said. German companies pumped more than US$2 billion in direct investment to China last year, an increase of 45% and twice the average rate of their EU peers, while Chinese firms poured US$800 million into Germany. Even so, trade between the two countries shrank 2.4% last year as German imports (US$92 billion) from China declined and German export (US$85 billion) growth to China fell to the slowest pace in at least a decade.

Market Snapshot

Selected Equity Indices	Last (Oct 10)	1-week return	Year-to-date return
Dow Jones Industrial Average	16,544.10	-2.74%	-0.20%
S&P 500 Index	1,906.13	-3.14%	3.13%
FTSE 100 Index	6,339.97	-2.88%	-6.06%
Euro Stoxx 50	2,991.50	-4.53%	-3.78%
Nikkei 225	15,300.55	-2.60%	-6.08%
Hang Seng Index	23,088.54	0.10%	-0.93%
Shanghai SE Composite	2,374.54	0.45%	12.22%
BSE Sensex Index	26,297.38	-1.02%	24.22%
Straits Times Index	3,223.87	-0.90%	1.78%

Source: Bloomberg

Week Ahead

Economic Calendar (Selected Events)

Mon, Oct 13	Tue, Oct 14	Wed, Oct 15	Thu, Oct 16	Fri, Oct 17
US Holiday: Columbus Day		*PPI-FD*	*Jobless Claims*	*Housing Starts*
		Retail Sales	*Industrial Production*	Consumer Sentiment
		Empire State Mfg Survey	*Philadelphia Fed Survey*	
		Business Inventories	Housing Market Index	
			EIA Petroleum Status Report	

Red: Market moving indicator
Black: Merits extra attention
Source: Bloomberg

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