

## Headlines

- [Markets may have over-reacted to slowdown: Bank of England's Haldane](#). *Reuters.com*, 19 October 2014
- [Getting used to the 'new mediocre'](#). *Reuters.com*, 19 October 2014
- [Yellen 'greatly' concerned by widening inequality in America](#). *Bloomberg.com*, 18 October 2014
- [Japan GPIF to boost share allocation to about 25%, Nikkei says](#). *Bloomberg.com*, 18 October 2014

## Weekly Review (for week ending 17 October 2014)

### ■ China's exports and imports surge ahead of expectations

China's exports and imports both rose more than expected in September, Customs data showed on Monday in a positive signal for the world's second-largest economy, but analysts warned that fundamentals remained weak. The country's trade surplus more than doubled year-on-year to US\$31.0 billion as exports rose 15.3% to US\$213.7 billion, while imports climbed 7.0% to US\$182.7 billion. The rise in exports accelerated from August's 9.4% and was ahead of a median forecast of 12.5%. The survey had predicted a fall of 2.4% in imports, matching a surprise decline in August. September's trade surplus was lower than August's record US\$49.8 billion, and also came in below expectations of US\$42 billion. Some analyst reports suggested the expansion in exports may be linked to the launch of Apple's iPhone 6.

### ■ MAS maintains policy of modest, gradual appreciation of Singapore dollar, lowers inflation outlook

MAS said its policy stance is appropriate for containing domestic and imported sources of inflationary pressures, and ensuring that inflation expectations remain well anchored. It lowered its inflation outlook for 2014 in its half-yearly monetary policy statement. It now says CPI-All Items inflation, or headline inflation, is now forecast to be 1.0%-1.5% in 2014, given the recent weakness in car prices, down from it previously forecast headline inflation to be in the region of 1.5%-2.0%. For 2015, headline inflation is projected at 0.5%-1.5%, reflecting also the impact of muted housing rentals. As for core inflation, which excludes the cost of accommodation and private road transport, MAS said this is likely to average 2.0%-2.5% in 2014, down from its previous forecast of 2.0%-3.0% this year, and 2.0%-3.0% in 2015.

### ■ UK inflation falls to 5-year low of 1.2%

An imminent rise in the UK's ultra-low interest rates of 0.5% looks less likely after inflation dropped to 1.2%, the lowest level for 5 years. The weak CPI data for UK sent sterling plunging to levels not seen in more than a year. Economists had been expecting CPI inflation to ease back only slightly in September to 1.4% from 1.5% in August. Excluding volatile items such as food and fuel, core inflation dropped to 1.5% in September, down from 1.9% in August. Some of the fall in inflation reflected the rise of sterling which has cut import prices.

### ■ China inflation in September eases to near 5-year low

China's consumer inflation slowed more than expected in September to a near five-year low, adding to concerns that global growth is cooling fast unless governments take bolder measures to shore up their economies. The CPI rose 1.6% in September from a year earlier, the NBS said, missing market expectations for a 1.7% rise and down from 2% in August. The reading was the lowest since January 2010, and was also partly due to a relatively higher base of comparison a year ago. The producer price index (PPI), a leading indicator of the trend for CPI, fell 1.8% year-on-year in September, NBS said. The last PPI increase was in January 2012, when it rose 0.7%.

### ■ US retail sales falter amid signs of global slowdown

A downturn in consumer spending threw a new domestic worry into mounting global turmoil, threatening to again undercut hopes for a breakout performance in the US economy. Retail sales which account for about a third of consumer spending fell 0.3% m/m in September, worse than the 0.1% drop expected and reversing half of the 0.6% rise in August. It was the first decrease since January. What came as more of a surprise was a drop in so-called core sales, which strip out automobiles, gasoline, building materials and food services, and correspond most closely with the consumer spending component of GDP; core sales fell 0.2% in September after rising 0.3% in August.

### ■ US jobless claims fall to 14-year low

Initial claims for unemployment benefits fell by 23,000 to a seasonally adjusted 264,000 in the week ended October 11, marking a 14-year low. That was below the 290,000 claims forecast by economists and the lowest level since the week of April 15, 2000, when it was 259,000. The four-week moving average for initial claims, which smooths out week-to-week volatility, fell 4,250 to 283,500. Payrolls have expanded by an average of 227,000 a month this year, putting 2014 on track to be the strongest year of job growth since the late 1990s.

### ■ US housing starts up 6.3% in September

US home building rebounded in September on the strength of apartment construction, a category that provides less of an economic boost than single-family homes. Housing starts rose 6.3% in September from a month earlier to a seasonally adjusted annual rate of 1.017 million units. Building permits, a bellwether of future construction, increased 1.5% last month to a 1.018 million rate. Economists surveyed had forecast housing starts to rise 4.6% last month and building permits to increase 2.3%. New housing starts for single-family homes, roughly two-thirds of the market, rose 1.1% in September, while the more volatile multi-family homes/apartments segment jumped 16.7%.

### ■ US consumer sentiment at highest since July 2007 despite Ebola fears

The Thomson Reuters/University of Michigan preliminary October reading on the overall index on consumer sentiment came in at 86.4, the highest since July 2007. The gains were unexpected, as economists expected a slip to 84.1 from last month's 84.6 reading. The survey's gauge of consumer expectations also rose to hit 78.4, the highest since October 2012, from 75.4 and beating a forecast for 74.4.

## Market Snapshot

| Selected Equity Indices      | Last (Oct 17) | 1-week return | Year-to-date return |
|------------------------------|---------------|---------------|---------------------|
| Dow Jones Industrial Average | 16,380.41     | -0.99%        | -1.18%              |
| S&P 500 Index                | 1,886.76      | -1.02%        | 2.08%               |
| FTSE 100 Index               | 6,310.29      | -0.47%        | -6.50%              |
| Euro Stoxx 50                | 2,962.24      | -0.98%        | -4.72%              |
| Nikkei 225                   | 14,532.51     | -5.02%        | -10.80%             |
| Hang Seng Index              | 23,023.21     | -0.28%        | -1.22%              |
| Shanghai SE Composite        | 2,341.18      | -1.40%        | 10.64%              |
| BSE Sensex Index             | 26,108.53     | -0.72%        | 23.32%              |
| Straits Times Index          | 3,167.73      | -1.74%        | 0.01%               |

Source: Bloomberg

## Week Ahead

| Economic Calendar (Selected Events) |                            |                             |                               |                       |
|-------------------------------------|----------------------------|-----------------------------|-------------------------------|-----------------------|
| Mon, Oct 20                         | Tue, Oct 21                | Wed, Oct 22                 | Thu, Oct 23                   | Fri, Oct 24           |
|                                     | <i>Existing Home Sales</i> | <i>Consumer Price Index</i> | <i>Jobless Claims</i>         | <i>New Home Sales</i> |
|                                     |                            | EIA Petroleum Status Report | PMI Manufacturing Index Flash |                       |

Red: Market moving indicator

Black: Merits extra attention

Source: Bloomberg



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