

Headlines

- [Raise UK interest rates now, says Bank of England policymaker](#). *Reuters.com, 26 October 2014*
- [Senior Japan official calls for Abe to delay sales-tax hike](#). *Reuters.com, 26 October 2014*
- [China state economist sees 2015 growth slowest in over 2 decades](#). *Bloomberg.com, 25 October 2014*
- [ECB test shows 25 billion-euro capital gap at Euro banks](#). *Bloomberg.com, 26 October 2014*

Weekly Review (for week ending 24 October 2014)

■ China's economic growth slows to 7.3% in Q3, near 6-year low

China's economic growth cooled to 7.3% in Q3 from a year ago, the weakest since the global financial crisis and reinforcing expectations that Beijing will need to roll out more stimulus to avert a sharper slowdown. With a faltering property market increasingly dragging on manufacturing and investment, the reading was the slowest since early 2009, when the growth rate tumbled to 6.6%. Economists had expected Q3 growth to cool to 7.2% from 7.5% in Q2, adding to worries about flagging global growth which have sent financial markets tumbling in recent weeks. On a quarter-on-quarter basis, growth eased to 1.9% versus expectations of 1.8% and down from 2.0% in Q2.

■ US existing-home sales bounce back in September to 1-year high

US home resales raced to a one-year high in September, the latest indication the housing market recovery is gradually getting back on track. Existing home sales increased 2.4% to an annual rate of 5.17 million units, the strongest since September of last year. It was above expectations for a rise to a 5.10 million unit pace and reversed August's decline, which had pushed down sales to a 5.05 million unit pace. Still, sales were 1.7% below those for September of last year. The inventory of unsold homes on the market increased 6% from a year ago to 2.30 million. At September's sales pace, it would take 5.3 months to clear houses from the market, down from 5.5 months in August.

■ Most Bank of England policymakers firmly against rate hike

Minutes of the BoE MPC's meeting on October 7-8 showed the Bank believed the amount of spare capacity in Britain's economy was being reduced less quickly than it had previously expected. The BoE saw no hurry to raise rates as 7 of the MPC's 9 members saw "few signs" of inflation pressures building, even taking into account how the stronger pound was lowering import prices, something that could prove temporary. MPC members Martin Weale and Ian McCafferty voted to raise interest rates to 0.75%, saying keeping rates low could unbalance Britain's economic recovery and long delays in the effectiveness of interest rate rises meant an increase now was needed.

■ US inflation muted in September as energy costs drop

US consumer prices rose marginally in September, painting a weak inflation picture that should give the Federal Reserve ample room to keep interest rates low for a while. The Labour Department said its CPI edged up 0.1% last month after decreasing 0.2% in August as a rise in food and shelter costs offset a decline in energy prices. Economists had expected a flat reading in September. In the year through September, the CPI rose 1.7% after a similar gain in August. The Fed targets 2% inflation and tracks an index that is running even lower than the CPI. Energy prices fell for a third straight month in September, with gasoline costs slipping 1.0% after dropping 4.1% in August. The core CPI, which strips out food and energy prices, ticked up 0.1% last month, while the year-on-year change held steady at 1.7%.

■ China factory activity at 3-month high in October but no indication of turnaround yet

Chinese manufacturing activity picked up pace to a three-month high in October. The HSBC's China flash PMI inched up to 50.4 from a final reading of 50.2 in September, beating consensus forecast for 50.3. While the headline number looked slightly better, manufacturing activity remained subdued and details pointed to continued weakness on a number of fronts. Growth in new orders at home and abroad slowed in October and producer prices fell, pushing factory inflation to a seven-month low and highlighting still-soft domestic demand. The level of output in factories also fell to a five-month low of 50.7. The key employment component also shrank for a 11th consecutive month.

■ Pioneer Generation package helps ease Singapore inflation to 7-month low

Singapore's September consumer price inflation eased to a 7-month low of 0.6%/y, slowing from 0.9% in August and 1.2% in July. Core inflation rose 1.9% in September, down from August's 2.1%/y. The key reason came from slower growth in services inflation which slowed to 1.7%/y from 2.1%/y in August, due to the implementation of the enhanced medical subsidies from the Pioneer Generation Package in September. The drop in medical and dental treatment inflation was big enough to pull overall services inflation lower.

■ British economy slows to 0.7% growth in Q3

UK economic growth cooled in Q3 as threats to the recovery from the eurozone slump mounted. GDP rose 0.7% in Q3, compared with 0.9% in Q2, in line with forecasts. On an annualised basis, the economy grew 2.8%. Output grew 3.0% from Q3 of last year, down from an annual rate of 3.2% in Q2. Total economic output is now 3.4% higher than its pre-crisis peak in early 2008. Britain's services industry, which accounts for more than three-quarters of the economy, slowed the most during the quarter. Growth dropped to 0.7% from 1.1%.

■ US new home sales at 6-year high; recovery still fragile

Sales of new US homes rose to a six-year high in September, but a sharp downward revision to August's sales pace indicated the housing recovery remains tentative. New home sales account for about 8% of the housing market. Sales increased 0.2% to a seasonally adjusted annual rate of 467,000 units, the highest reading since July 2008. August's sales rate was revised down to 466,000 units from 504,000 units. Economists had forecast new home sales at a 470,000-unit pace last month. Compared to September last year, sales were up 17%.

Market Snapshot

Selected Equity Indices	Last (Oct 24)	1-week return	Year-to-date return
Dow Jones Industrial Average	16,805.41	2.59%	1.38%
S&P 500 Index	1,964.58	4.12%	6.29%
FTSE 100 Index	6,388.73	1.24%	-5.34%
Euro Stoxx 50	3,030.37	2.30%	-2.53%
Nikkei 225	15,291.64	5.22%	-6.14%
Hang Seng Index	23,302.20	1.21%	-0.02%
Shanghai SE Composite	2,302.28	-1.66%	8.80%
BSE Sensex Index	26,851.05	2.84%	26.83%
Straits Times Index	3,222.55	1.73%	1.74%

Source: Bloomberg

Week Ahead

Economic Calendar (Selected Events)				
Mon, Oct 27	Tue, Oct 28	Wed, Oct 29	Thu, Oct 30	Fri, Oct 31
Pending Home Sales Index	<i>Durable Goods Orders</i>	EIA Petroleum Status Report	<i>GDP</i>	<i>Personal Income and Outlays</i>
Dallas Fed Mfg Survey	S&P Case-Shiller HPI	<i>FOMC Meeting Announcement</i>	<i>Jobless Claims</i>	Employment Cost Index
	Consumer Confidence			Chicago PMI
				Consumer Sentiment

Red: Market moving indicator

Black: Merits extra attention

Source: Bloomberg



For more reports, use your smartphone to scan the QR code

Disclaimers

The information herein is given on a general basis without obligation and is strictly for information purposes only. It is not intended as an offer or solicitation with respect to the purchase or sale of any investment or insurance product mentioned herein. Nothing herein should be construed as a recommendation or advice to transact in any investment or insurance product mentioned herein.

Although every reasonable care has been taken to ensure the accuracy and objectivity of the information contained in this publication, United Overseas Bank Limited ("the Company") and its employees cannot be held liable for any errors, inaccuracies or omissions, howsoever caused, or for any decision or action taken based on the information or views expressed in this publication. The Company does not warrant the accuracy, adequacy, timeliness or completeness of the information herein for any particular purpose, and expressly disclaims liability for any errors, inaccuracies or omissions. Any opinions, projections and other forward-looking statements regarding future events or performance of, including but not limited to, countries, markets or companies are not necessarily indicative of, and may differ from actual events or results.

The information herein has no regard to the specific objectives, financial situation and particular needs of any specific person. Investors may wish to seek advice from an independent financial advisor before investing in any investment or insurance product. Should you choose not to seek such advice, you should consider whether the investment or insurance product in question is suitable for you.