

Headlines

- [US consumer spending falters; wage gains highest since 2008](#). *Reuters.com, 31 October 2014*
- [China's October factory growth unexpectedly hits five-month low: official PMI](#). *Reuters.com, 01 November 2014*
- [Falling Chinese bank deposits add to warning signs on economy](#). *Bloomberg.com, 31 October 2014*
- [Investors whipsawed in Treasury futures as Fed optimism rises](#). *Bloomberg.com, 01 November 2014*

Weekly Review (for week ending 31 October 2014)

■ ECB covered bond buying plan starts with €1.704 billion last week

The ECB spent €1.704 billion last week on covered bonds under a new purchase program with which it hopes to foster lending to businesses and thereby support the Eurozone economy. The purchases of covered bonds - debt backed by pools of home or commercial properties - are a new front in the ECB's battle to revive the Eurozone economy and keep deflation at bay. Inflation in the bloc is running at just 0.3%. ECB Vice President Vitor Constancio said this month the stock of covered bonds eligible for purchase by the ECB amounted to about €600 billion. Around €400 billion of ABS qualify for purchase by the ECB under its new plan, he added.

■ China fake invoice evidence mounts as HK figures diverge

The gap between China's reported exports to Hong Kong and the territory's imports from the mainland widened in September to the most this year, suggesting fake export-invoicing is again skewing China's trade data. Hong Kong's imports from China climbed 5.5% from a year earlier to US\$24.1 billion, figures showed Monday; China's exports to Hong Kong surged 34% to US\$37.6 billion, according to mainland data on October 13, leading to a US\$13.5 billion difference. While China's government has strict rules on importing capital, those seeking to exploit yuan appreciation can evade the limit by disguising money inflows as payment for goods exported to foreign countries or territories, especially Hong Kong. The latest trade mismatch coincided with renewed appreciation of China's currency.

■ Muted growth for Singapore as manpower shortage, property slowdown bite: MAS

In its half-yearly review, the MAS said it expects the Singapore economy to settle into a slower but more sustainable growth path. The external-oriented sector could benefit from stronger growth in the US while sluggish demand in the Eurozone and China might weigh. Tight labour market is expected to continue to pressure on costs. The MAS maintains its forecast for Singapore's GDP growth of 2.5%-3.5% in 2014 and this is likely to be broadly similar for 2015. The MAS reiterates inflation forecast of 1%-1.5% in 2014 with Q4 inflation potentially below 0.5%/y due to a high base effect; core inflation to average 2.0%-2.5% this year. Overall inflation is expected at 0.5%-1.5% in 2015.

■ US consumer confidence hits 7-year high in October

US consumer confidence rebounded strongly in October, hitting a seven-year high as solid job gains raised expectations for economic growth. The Conference Board said Tuesday that its confidence index climbed to 94.5, the strongest reading since October 2007 and the start of the Great Recession a few months later. This month's gains reversed a revised decline to 89 in September from 93.4 in August. Separately the Richmond Fed manufacturing index increased to 20 in October from 14 in September, above expectations of 10.

■ Fed ends asset purchases as planned, but improvements to US labour outlook adds hawkish tint

The Fed brought to a close its QE program, signalling confidence in the ongoing economic recovery and noting diminishing slack in the labour market. It offered up a moderately hawkish statement, suggesting that the FOMC is not concerned by recent economic or financial market developments, particularly the sharp decline in energy prices and the strengthening of the US dollar. The FOMC verified that its current quantitative easing program (QE3) will come to an end this week, and also gave a more upbeat assessment of labour market conditions and downplayed the effect on inflation of falling energy prices. The next FOMC meeting will be held on 16-17 December 2014.

■ US jobless claims edge higher

Initial jobless claims, a sign of the pace of layoffs, came in at 287,000 in the week to October 25, up slightly from 283,000 the previous week. The four-week moving average was 281,000, compared to 352,500 a year ago.

■ US Q3 GDP grew 3.5%, stronger than expected

The advance estimate for Q3 GDP showed the US economy growing at 3.5% *q/q SAAR*, slower than the 4.6% rebound in Q2 after the 2.1% **contraction** in Q1. The growth in real GDP beat consensus expectations of 3% gains and was due to positive contributions from personal consumption expenditure, exports, non-residential fixed investment, and government spending at all levels. Imports, which negatively impact GDP, increased. Gains were also partially offset but a decrease in private inventory investments. The slowdown in growth compared to the second quarter was due to deceleration in most measures other than federal government spending which surged to 4.6% due to a large increase in defense spending. The second estimate for the Q3 GDP will be out on 25 November 2014.

■ BoJ shocks markets with surprise easing as inflation slows

The Bank of Japan surprised global financial markets on Friday by expanding its massive monetary easing as economic growth and inflation have not picked up. Stripping out the effects of April's sales tax hike, annual core consumer inflation was 1%, casting further doubt that its 2% inflation target will be met sometime next year. The jolt from the BoJ, which had been expected to maintain its level of asset purchases, came as the government signalled its readiness to ramp up spending to boost the economy. After a tight 5-4 vote by its board members, the BoJ said purchases of Japanese government bonds would increase at an annual pace of ¥80 trillion, up by ¥30 trillion.

Market Snapshot

Selected Equity Indices	Last (Oct 31)	1-week return	Year-to-date return
Dow Jones Industrial Average	17,390.52	3.48%	4.91%
S&P 500 Index	2,018.05	2.72%	9.18%
FTSE 100 Index	6,546.47	2.47%	-3.00%
Euro Stoxx 50	3,113.32	2.74%	0.14%
Nikkei 225	16,413.76	7.34%	0.75%
Hang Seng Index	23,998.06	2.99%	2.97%
Shanghai SE Composite	2,420.18	5.12%	14.38%
BSE Sensex Index	27,865.83	3.78%	31.62%
Straits Times Index	3,274.25	1.60%	3.37%

Source: Bloomberg

Week Ahead

Economic Calendar (Selected Events)				
Mon, Nov 3	Tue, Nov 4	Wed, Nov 5	Thu, Nov 6	Fri, Nov 7
PMI Manufacturing Index	<i>International Trade</i>	ADP Employment Report	<i>Jobless Claims</i>	<i>Employment Situation</i>
<i>ISM Mfg Index</i>	Factory Orders	ISM Non-Mfg Index	Productivity and Costs	
Construction Spending		EIA Petroleum Status Report		

Red: Market moving indicator

Black: Merits extra attention

Source: Bloomberg



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