

## Headlines

- [China's rate-cut likely to hurt banks, curb new loans to small borrowers](#). *Reuters.com, 22 November 2014*
- [Europe not at risk of full-blown deflation: ECB's Constancio](#). *Reuters.com, 22 November 2014*
- [China seen cutting rates again after first cut since 2012](#). *Bloomberg.com, 22 November 2014*
- [Five of 16 listed China banks raise deposit rates to cap](#). *Bloomberg.com, 23 November 2014*

## Weekly Review (for week ending 21 November 2014)

### ■ Japan back in recession, 2015 sales tax hike delayed, snap elections called on 21 December 2014

Japan's economy unexpectedly shrank 1.6% y/y in Q3, after a revised 7.3% contraction (from -7.1%) in Q2, which was the biggest slump since the March 2011 earthquake and tsunami, pushing it into a technical recession. On a q/q basis, the economy shrank 0.4% in Q3 following a revised 1.9% q/q contraction (from -1.8%) in Q2. PM Shinzo Abe announced on 18 November to delay the October 2015 sales tax hike by 18 months till 1 April 2017 as it may threaten Japan's exit from deflation. But he emphasized that he will not drop the efforts to achieve fiscal consolidation. He announced that Parliament will be formally dissolved on 21 November and he will call for snap elections on 21 December to validate support for his sales tax hike deferment and to affirm public support for his "Abenomics" growth strategy.

### ■ Singapore's October NODX fell as both electronic & non-electronic exports contracted

Singapore's non-oil domestic exports (NODX) fell 1.5% y/y in October, compared to the 0.9 y/y expansion a month ago, and much in line with consensus estimates of a 1.7% y/y contraction. Declines in both the electronic and non-electronic exports contributed to the overall weakness. On a seasonally-adjusted m/m basis, NODX gained 1.1%, following the 8.8% decline in September. Electronic NODX fell for the 27th consecutive month and fell 3.6% y/y in October, from the 4.0% y/y decline a month ago and consensus estimates of a 5.2% y/y decline. Growth in the non-electronic NODX segment slowed and contracted 0.5% y/y in October, following a 3.0% y/y gain a month ago.

### ■ US housing starts slip, but permits near 6½-year high

US housing starts unexpectedly fell in October, but a jump in permits to near a 6½-year high suggested the housing market was steadily regaining strength. Groundbreaking slipped 2.8% to a seasonally adjusted annual 1.009 million-unit pace, below forecasts for a rise to a 1.025-million unit pace, after September's starts were revised up to a 1.038 million-unit rate. The volatile multi-family homes segment accounted for the decline in housing starts last month. Starts for single-family homes, the largest part of the market, increased 4.2% last month to a 696,000-unit pace, the highest since November 2013. Multi-family homes starts fell 15.4% to a 313,000-unit rate in October. Permits jumped 4.8% to a 1.080 million-unit pace, the highest since June 2008. It was the second straight month of gains in permits, which lead starts. Permits for single-family homes rose 1.4% to a 640,000-unit pace and multi-family homes surged 10% to a 440,000-unit pace.

### ■ HSBC China flash manufacturing PMI at 6-month low

Manufacturing activity in China stagnated in November as HSBC's preliminary PMI for November came in at the 50.0 breakeven point dividing expansion and contraction, putting "significant" pressures on the China's economy as its key PMI hit a six-month low. It was lower than October's 50.4 and was the weakest reading since May's 49.4. It showed its employment component contracted at a faster pace this month than in October. HSBC said the final PMI for this month will be published on December 1.

### ■ Eurozone growth at risk as manufacturing, services weaken

The flash November PMI manufacturing & service index for the eurozone was lower at 50.4 and 51.3 (from 50.6 and 52.3 in October) respectively, boding ill for the region's economic outlook. Markets were expecting slightly better readings from the previous month. The composite PMI as a result was lower at 51.4 (from 52.1 in October) and well below the projected improvement to 52.3.

### ■ US core inflation rising, economy firming broadly

Underlying inflation pressures rose in October, even as falling gasoline prices which offset rising rent, household furnishings, airline, recreation, new motor vehicles and medical costs, left the CPI flat last month after a 0.1% gain in September, bolstering expectations of a mid-2015 interest rate hike from the Fed. Core CPI, which excludes food and energy, increased 0.2%, the largest increase in five months, after nudging up 0.1% in September. In the 12 months through October, the core CPI rose 1.8% after rising 1.7% in September, which should ease fears about deflation. The Fed targets 2% inflation and it tracks an index that is running even lower than the CPI.

### ■ US existing home sales rise 1.5% in October, at one-year high

US home resales jumped to a year high in October and outpaced the sales level a year ago for the first time in 2014, further evidence the housing market is on a recovery path. Existing home sales rose 1.5% in October to an annual rate of 5.26 million units, the highest rate since September 2013 from an upwardly revised 5.18 million units in September. Sales rose 2.5% compared to a year ago, the first time since October 2013 that resales have risen above the prior-year levels. Economists had forecast sales falling to a 5.16 million-unit pace.

### ■ ECB: 'Strong recovery unlikely'; euro drops as Draghi raises stimulus hopes

The eurozone economy is likely to remain stagnant in the short-to-medium term, ECB President Mario Draghi said at the European Banking Congress on "The future of Europe". Draghi said that "strong recovery is unlikely in the coming months" and the ECB must drive inflation higher quickly, and will broaden its asset-purchase program if needed to achieve that. Shorter-term inflation expectations "have been declining to levels that I would deem excessively low", he said. The euro weakened as markets seized on Draghi's dovish remarks.

## Market Snapshot

Selected Equity Indices	Last (Nov 21)	1-week return	Year-to-date return
Dow Jones Industrial Average	17,810.06	0.99%	7.44%
S&P 500 Index	2,063.50	1.16%	11.64%
FTSE 100 Index	6,750.76	1.45%	0.02%
Euro Stoxx 50	3,194.22	4.39%	2.74%
Nikkei 225	17,357.51	-0.76%	6.54%
Hang Seng Index	23,437.12	-2.70%	0.56%
Shanghai SE Composite	2,486.79	0.32%	17.52%
BSE Sensex Index	28,334.63	1.03%	33.84%
Straits Times Index	3,345.32	0.89%	5.62%

Source: Bloomberg

## Week Ahead

Economic Calendar (Selected Events)				
Mon, Nov 24	Tue, Nov 25	Wed, Nov 26	Thu, Nov 27	Fri, Nov 28
Dallas Fed Mfg Survey	<i>GDP</i>	<i>Durable Goods Orders</i>	<i>Thanksgiving Day</i> <i>US Holiday</i>	Chicago PMI
	S&P Case-Shiller HPI	<i>Jobless Claims</i>		
	Consumer Confidence	<i>Personal Income and Outlays</i>		
		Consumer Sentiment		
		<i>New Home Sales</i>		
		Pending Home Sales Index		
		EIA Petroleum Status Report		

Red: Market moving indicator

Black: Merits extra attention

Source: Bloomberg



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