

Headlines

- [China economic growth may slow to 7.1% in 2015: central bank report](#). Reuters.com, 14 December 2014
- [US Senate passes spending bill, ends government shutdown threat](#). Reuters.com, 14 December 2014
- [Australia sees iron-ore at US\\$60 as commodities hit budget](#). Bloomberg.com, 14 December 2014
- [Abe set to boost majority, opening way for Abenomics](#). Bloomberg.com, 14 December 2014

Weekly Review (for week ending 12 December 2014)

■ Japan Q3 GDP fell 1.9% y/y, worse than expected as recession deepens

Japan's economy contracted more than initially thought in Q3, revised official data showed, confirming that it sank into recession. The economy contracted 0.5%q/q, worse than the 0.4% shrinkage estimated in initial data released three weeks ago, and much worse than the forecast of a 0.1%q/q shrinkage. On an annualised rate, the economy shrank 1.9% against the initially estimated fall of 1.6%. Business spending was revised down to -0.4%q/q, missing expectations for a gain of 0.9% following the 0.2% drop in the preliminary reading. Business spending tumbled 5.1% in Q2. Private consumption added 0.4%q/q, in line with expectations and unchanged from the estimate.

■ China November trade surplus leaps 61.4% to record US\$54.47 billion

China's trade surplus hit a record US\$54.47 billion in November, soaring 61.4% from the same month last year as imports declined. Exports grew at a slowing 4.7% year-on-year to US\$211.66 billion in November, while imports dropped 6.7% to US\$157.19 billion, the General Administration of Customs said. But export growth slowed from the 11.6% year-on-year expansion in October, while the unexpected contraction in imports compared with growth of 4.6% that month. Analysts had expected exports to grow 8.0% and imports to expand 3.9%. China's GDP grew an annual 7.3% in Q3, the slowest since the height of the global financial crisis in early 2009.

■ Japan consumer mood worsens for 4th straight month in November

Japanese consumer confidence in November worsened for a fourth straight month, showing the April sales tax hike is continuing to weigh on sentiment. The Cabinet Office cut its view on the consumer confidence index, saying it is showing weak movement. The survey's sentiment index for general households, which includes views on incomes and jobs, was at 37.7 in November, the lowest since April.

■ China's November inflation falls to 5-year low of 1.4%

China's consumer inflation fell to a five-year low of 1.4% in November, the government said Wednesday, increasing concerns over the risk of deflation in the world's second-largest economy. The news comes after the PBoC on November 21 shocked markets by cutting interest rates for the first time in more than two years to kickstart the slowing economy and analysts said they expect further easing measures in the new year. The rise in the CPI is the lowest since November 2009, coming in short of a median forecast of 1.6% in a Wall Street Journal survey of 16 economists and marking a slowdown from October's 1.6%. The NBS also said the PPI – a measure of costs for goods at the factory gate and a leading indicator of the trend for CPI – fell 2.7% y/y, the worst reading since a similar decline in June 2013.

■ UK trade deficit narrows to seven-month low in October

The trade deficit in goods dropped to £2bn in October from £2.8bn in September, the lowest since March. The ONS said exports rose by £200m between September and October to £24.3bn, mainly owing to higher exports of erratic items, notably silver. Imports fell by £700m in October, driven by lower oil imports from countries outside the EU, returning to more normal levels after September's high. The goods trade deficit for October shrank to £9.6bn from £10.5bn, marking its lowest level for seven months, but still above the £9.5bn expected. The lack of a significant improvement in the volume of exports has raised concerns about the strength of the UK's economic recovery.

■ US jobless claims fall; continuing claims up

Initial claims for state unemployment benefits slipped by 3,000 to a seasonally adjusted 294,000 for the week ended December 6. The prior week's data was unrevised. Economists had forecast claims falling to 295,000 last week. The four-week moving average of claims ticked up by 250 to 299,250, holding below the 300,000 mark for the 13th straight month. Job gains in November were the largest in nearly three years and marked the 10th straight month of increases above 200,000, the longest such stretch since 1994. The report showed the number of people still receiving benefits after an initial week of aid increased by 142,000 to 2.51 million in the week ended November 29.

■ November US core retail sales up more than expected

US consumer spending advanced at a brisk clip in November as lower petrol prices gave the holiday shopping season a boost, offering the latest sign of underlying momentum in the economy. Core retail sales, which exclude automobiles, petrol, building materials and food services, increased 0.6% last month after an unrevised 0.5% rise in October. Economists had expected core retail sales to rise 0.4% last month. Core November sales were up 4.4% from a year ago, the largest year-over-year increase since early 2012. The increase suggested that consumer spending which accounts for about 70% of US economic activity was accelerating in Q4 after slowing a bit in Q3.

■ Oil freefall gives Dow worst week since 2011

US stocks sank, with the Dow capping its biggest weekly drop in 3 years, as oil continued to slide and Chinese industrial data raised concern over a global economic slowdown. Brent crude slipped to US\$61.85/bbl, its lowest since July 2009, on concerns over a global supply glut and weak demand outlook. WTI crude ended at US\$57.81/bbl. The IEA cut its outlook for demand growth in 2015 and predicted that oil prices will come under further downward pressure as healthy non-OPEC countries continued to increase supplies.

Market Snapshot

Selected Equity Indices	Last (Dec 12)	1-week return	Year-to-date return
Dow Jones Industrial Average	17,280.83	-3.78%	4.25%
S&P 500 Index	2,002.33	-3.52%	8.33%
FTSE 100 Index	6,300.63	-6.56%	-6.64%
Euro Stoxx 50	3,067.32	-6.41%	-1.34%
Nikkei 225	17,371.58	-3.06%	6.63%
Hang Seng Index	23,249.20	-3.14%	-0.25%
Shanghai SE Composite	2,938.17	0.02%	38.86%
BSE Sensex Index	27,350.68	-3.89%	29.19%
Straits Times Index	3,324.13	-0.01%	4.95%

Source: Bloomberg

Week Ahead

Economic Calendar (Selected Events)				
Mon, Dec 15	Tue, Dec 16	Wed, Dec 17	Thu, Dec 18	Fri, Dec 19
Empire State Mfg Survey	<i>Housing Starts</i>	<i>Consumer Price Index</i>	<i>Jobless Claims</i>	
<i>Industrial Production</i>	PMI Manufacturing Index Flash	EIA Petroleum Status Report	<i>Philadelphia Fed Survey</i>	
Housing Market Index		<i>FOMC Meeting Announcement</i>		
Treasury International Capital		<i>FOMC Forecasts</i>		
		<i>Chair Press Conference</i>		

Red: Market moving indicator

Black: Merits extra attention

Source: Bloomberg



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