

Headlines

- [ECB's Constancio sees negative inflation rate in months ahead](#). *Reuters.com, 20 December 2014*
- [ECB's Coene supports government bond purchases](#). *Reuters.com, 20 December 2014*
- [China will accelerate liberalization of interest rates](#). *Bloomberg.com, 20 December 2014*
- [US dollar resumes climb as Yellen signals 2015 interest-rate rise](#). *Bloomberg.com, 20 December 2014*

Weekly Review (for week ending 19 December 2014)

■ US industrial production soars 1.3% in November

US industrial production, which measures the output of manufacturers, utilities and mines, rose a seasonally adjusted 1.3% in November. That followed a gain of 0.1% in October, revised up from the earlier reported 0.1% dip. Industrial output in November was up 5.2% from a year ago. Capacity utilisation, a measure of slack in the industrial sector, jumped to 80.1% in November to its highest since March 2008 and equal to its average over the past 40 years, from October's revised reading of 79.3%. A firming job market and drop in fuel costs are giving households the means to boost spending, shielding American factories from cooling demand in Europe and a rising US dollar.

■ Eurozone December factory activity in expansion territory for 18th straight month

Eurozone factories managed to stay in expansion territory in December, posting better-than-expected numbers, with mixed readings coming from the region's largest economies, Germany and France. The flash manufacturing PMI for the eurozone was hiked to 50.8 points in December, up from 50.1 in November, remaining in expansion territory for 18 straight months and beating estimates for 50.5 points. The flash reading for the services PMI improved to 51.9 points in December, up from 51.1 a month ago, while beating estimates of 51.5 points.

■ China HSBC manufacturing PMI contracts in December, raising growth concerns

Chinese factory output fell for a second straight month in December, boosting expectations that more stimulus measures will be needed to avoid a sharper slowdown. The flash HSBC China manufacturing PMI slipped to 49.5 from a final reading of 50 in November, contracting for the first time in 7 months. The new orders sub-index fell to 49.6, the first contraction since April. While manufacturing has been weak, weighed down by a cooling property market, tight credit conditions and erratic exports, China's services sector has proved more resilient.

■ US housing starts fall, but trend points to recovery

US housing starts fell in November as ground-breaking for single-family homes declined after two hefty increases, in what appeared to be a brief pause in a gradual recovery trend. Starts dropped 1.6% to a seasonally adjusted annual pace of 1.028 million units. October's starts were revised up to a 1.045 million-unit pace. Economists had forecast housing starts rising at a pace of 1.04 million units from October's previously reported pace of 1.01 million units. Despite November's fall, ground-breaking is up 7.7% compared to the first 11 months of 2013. Starts have averaged a 990,000-unit pace so far this year, up from an average 930,000-unit rate last year.

■ Singapore's November NODX rises 1.6%, reversing October's dip, but electronics continues its drag

Singapore NODX rose 1.6% in November from a year ago, reversing the 1.5% dip in October, said IE Singapore. Month on month, the NODX extended October's 1.1% increase with a seasonally-adjusted 2.9% jump to S\$14.2 billion. The electronics NODX continued to go down in November, posting a sharper 10.2% drop on-year after falling 3.6% in October. But non-electronic NODX picked up from a 0.5% dip in October to rise 7.5% in November. UOB maintains its 2014 NODX growth forecast of -1.0% as electronic NODX continues to falter.

■ US consumer inflation posts largest decline in six years

US consumer prices recorded their biggest drop in nearly six years in November as gasoline prices tumbled. The Labour Department said its Consumer Price Index fell 0.3% in November, the largest decline since December 2008, after being flat in October. In the 12 months through November, the CPI increased 1.3%, the smallest gain since February, after advancing 1.7% in October. Analysts had forecast the CPI slipping only 0.1% from October and rising 1.4% from a year ago. Stripping out food and energy prices, the so-called core CPI edged up 0.1% after rising 0.2% in October. In the 12 months through November, the core CPI rose 1.7% after increasing 1.8% in October.

■ Fed confident on US growth, opens door wider to rate hike

The Federal Reserve said it will be "patient" on the timing of the first interest-rate increase since 2006, replacing a pledge to keep borrowing costs near zero for a "considerable time", and raised its assessment of the labour market. Yellen said the strength of US economic data and the level of inflation, not a calendar date, will dictate when it raises rates; and "patient" meant the FOMC was unlikely to hike rates for "at least a couple of meetings", meaning April of next year at the earliest. At a time of global economic turmoil and collapsing oil prices, she stressed that the Fed was making no policy changes. Yellen said she's prepared to let the US unemployment rate fall from its current 5.8% to exceptionally low levels because doing so could help cause inflation to rise closer to the Fed's 2% target. The Fed also projected the economy will reach full employment later next year, while inflation remains below their target at 1% to 1.6%.

■ BoJ strikes more upbeat view on economy, holds off fresh measures

The BoJ kept its stimulus unchanged at an annual pace of ¥80 trillion. In October, it surprised markets by announcing it would expand asset purchases by as much as ¥20 trillion annually to the current level, sending the yen falling. The BoJ also sounded more optimistic about Japan economic growth, noting that "exports have shown signs of picking up... Business fixed investment has been on moderate increasing trend as corporate profits improved... Private consumption has remained resilient... Industrial production has bottomed out...".

Market Snapshot

Selected Equity Indices	Last (Dec 19)	1-week return	Year-to-date return
Dow Jones Industrial Average	17,804.80	3.03%	7.41%
S&P 500 Index	2,070.65	3.41%	12.03%
FTSE 100 Index	6,545.27	3.88%	-3.02%
Euro Stoxx 50	3,141.28	2.41%	1.04%
Nikkei 225	17,621.40	1.44%	8.16%
Hang Seng Index	23,116.63	-0.57%	-0.81%
Shanghai SE Composite	3,108.60	5.80%	46.91%
BSE Sensex Index	27,371.84	0.08%	29.29%
Straits Times Index	3,279.53	-1.34%	3.54%

Source: Bloomberg

Week Ahead

US Economic Calendar (Selected Events)				
Mon, Dec 22	Tue, Dec 23	Wed, Dec 24	Thu, Dec 25	Fri, Dec 26
<i>Existing Home Sales</i>	<i>Durable Goods Orders</i> <i>GDP</i> <i>Personal Income and Outlays</i> Consumer Sentiment <i>New Home Sales</i>	<i>Jobless Claims</i> EIA Petroleum Status Report	All Markets Closed	

Red: Market moving indicator

Black: Merits extra attention

Source: Bloomberg



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