

## Headlines

- [China central bank scholar sees GDP growth up to 7.3% in 2015: Xinhua](#). *Reuters.com*, 17 January 2015
- [ECB faces crucial test of 'whatever it takes'](#). *Reuters.com*, 18 January 2015
- [China home prices fall in fewer cities as demand grows](#). *Bloomberg.com*, 18 January 2015
- [Oil-price slump comes just in time for UK economy, EY says](#). *Bloomberg.com*, 18 January 2015

## Weekly Review (for week ending 16 January 2015)

### ■ Fed Labour Index confirms slack vanishing at faster pace

The Fed's Labour Market Conditions Index suggested that December saw the pace of reduction in slack accelerate to 6.1 points, from an upwardly revised pace of 5.5 in November. This is consistent with the FOMC's implicit acknowledgement of faster progress in reducing labour market slack. The Q4 average of 5.2 is now well above both the Q3 average of 3.3 and the average of 4.4 during the first 9 months of 2014, although it's still below the Q2 average of 6.3. This is yet another sign that economic activity remained robust in Q4.

### ■ China's exports beat expectations with 9.7% rise

China's December trade figures have beaten expectations with exports up 9.7% and imports down 2.3% from a year ago. The final figures for the year mean exports rose 6.1% in 2014 compared with 2013, while imports rose 0.4%. The December figures leave the country with a surplus of 304.5 billion yuan (US\$49.1 billion) for the month. Analysts expected imports to fall more than 7% and exports to rise by 6.8%. They said a continued fall in imports reflected the impact of the continuing plunge in world oil prices. In November, China's imports fell 6.7% against predictions of a 3.9% rise. There has been speculation that the Chinese government would soon introduce fresh stimulus measures to boost economic growth, but the better-than-expected data would give the government some reprieve.

### ■ World Bank lowers global growth forecast for 2015 and 2016

The World Bank cut its outlook for global growth Tuesday, saying a strengthening US economy and plummeting oil prices won't be enough to offset deepening trouble in the Eurozone, Japan and some major emerging markets. It expects the global economy to expand 3% this year, up from 2.6% in 2014, but still slower than its earlier 2015 forecast of 3.4%. World GDP growth will reach 3.3% in 2016, as opposed to a June forecast of 3.5%, before dipping to 3.2% in 2017. It said that strong growth prospects in the US and Britain separated them from other rich nations, including members of the eurozone and Japan, which continue to face anaemic economies and deflation fears.

### ■ ECB primes financial markets for imminent QE after OMT ruled legal by European court

The ECB prepared financial markets for an imminent programme of sovereign bond purchases, with president Mario Draghi saying the bank had few other options at its disposal to counter the risk of deflation. "All members of the ECB's governing council are determined to fulfil our mandate," he told the weekly newspaper *Die Zeit*, when asked about his plans to launch a controversial programme of large-scale buying of government bonds known as QE. The comments will fuel speculation that the ECB's governing council will announce plans for a programme of some form of QE at its meeting on January 22. An earlier OMT scheme was sent to the European Court of Justice for a ruling. The ECJ's Advocate General Cruz Villalon ruled that the OMT programme is "in principle" in line with European treaties.

### ■ US retail sales drop biggest in 11 months, but seen as a blip

US retail sales recorded their largest decline in 11 months in December as demand fell almost across the board, tempering expectations for a sharp acceleration in consumer spending in Q4. The US retail sales data were a disappointment, which came in at -0.9% m/m, following the revised +0.4% m/m reading in November, well below expectations for a -0.1% m/m reading. Meanwhile, ex-autos retail sales decreased -1.0% m/m, following the revised +0.1% m/m reading in November, below expectations for a -0.1% m/m result. Against the backdrop of a strengthening labour market and lower gasoline prices, analysts said sales should bounce back in January.

### ■ Swiss National Bank (SNB) abandons 1.20 euro cap, slashes rates

The Swiss National Bank unexpectedly scrapped its cap on the franc on Thursday, sending the safe-haven currency crashing through the 1.20 per euro limit it set more than three years ago. Minutes after the announcement the franc had soared by almost 30% in value against the euro. SNB said it would further lower the interest rate on sight deposit account balances -- cash commercial banks and other financial institutions hold with the central bank -- by 0.5%, to -0.75% from -0.25%, above a certain threshold.

### ■ US jobless claims rise to four-month high

Initial claims for state unemployment benefits rose by 19,000 to a seasonally adjusted 316,000 for the week ended January 10. Economists had forecast claims falling to 291,000 last week. The prior week's data was upwardly revised by 3,000. The 4-week moving average of claims rose by 6,750 to 298,000 last week, remaining below 300,000, which is associated with a firming labour market, for 18 weeks. The number of people still receiving benefits after an initial week of aid fell by 51,000 to 2.42 million in the week ended January 3.

### ■ Gasoline dampens US inflation; biggest drop in consumer prices in 6 years

Consumer prices fell the most in 6 years due to a plunge in oil prices that's keeping inflation from rising toward the Fed's goal. The CPI fell 0.4% last month, the largest fall since December 2008, after sliding 0.3% in November. In the year through December, the CPI rose just 0.8%, the weakest reading since October 2009 and a sharp fall from November's 1.3% rise. The core CPI was unchanged in December, the second time since 2010 that it did not increase. In the year through December, core CPI rose 1.6%, the smallest gain since February.

## Market Snapshot

Selected Equity Indices	Last (Jan 16)	1-week return	Year-to-date return
Dow Jones Industrial Average	17,511.57	-1.27%	-1.75%
S&P 500 Index	2,019.42	-1.24%	-1.92%
FTSE 100 Index	6,550.27	0.76%	-0.24%
Euro Stoxx 50	3,202.24	5.24%	1.77%
Nikkei 225	16,864.16	-1.94%	-3.36%
Hang Seng Index	24,103.52	0.77%	2.11%
Shanghai SE Composite	3,376.50	2.77%	4.38%
BSE Sensex Index	28,121.89	2.42%	2.26%
Straits Times Index	3,300.68	-1.13%	-1.92%

Source: Bloomberg

## Week Ahead

Economic Calendar (Selected Events)				
Mon, Jan 19	Tue, Jan 20	Wed, Jan 21	Thu, Jan 22	Fri, Jan 23
US Holiday: Martin Luther King Jr. Day	Housing Market Index	<i>Housing Starts</i>	<i>Jobless Claims</i>  PMI Manufacturing Index Flash  EIA Petroleum Status Report	<i>Existing Home Sales</i>

*Red: Market moving indicator*

Black: Merits extra attention

Source: Bloomberg



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