

## Headlines

- [Will return UK inflation to 2% within two years: Carney](#). *Reuters.com*, 24 January 2015
- [ECB's Mersch calls for European capital markets union](#). *Reuters.com*, 25 January 2015
- [Carney says QE can encourage excessive risk-taking in markets](#). *Bloomberg.com*, 25 January 2015
- [Samaras clashes with Tsipras as Greek election campaign wraps up](#). *Bloomberg.com*, 25 January 2015

## Weekly Review (for week ending 23 January 2015)

### ■ China 2014 growth at 7.4% slowest since 1990; Q4 GDP +7.3%/y/y, +1.5%q/q

China's Q4 GDP rose 7.3% from a year ago (+1.5% q/q), beating the median estimate of 7.2% in a Bloomberg survey of analysts. The economy expanded 7.4% in 2014, the slowest pace since 1990. The yuan rose and swap rates increased after the data. Markets should breathe a sigh of relief as the economy enters 2015 in a better shape than had been expected.

### ■ IMF cuts 2015 global growth forecast to 3.5% amid 'sizeable uncertainty' about oil price path

The IMF made the steepest cut to its global-growth outlook in three years, with diminished expectations almost everywhere except the US more than offsetting the boost to expansion from lower oil prices. The world economy will grow 3.5% in 2015, down from the 3.8% pace projected in October, the IMF said in its quarterly global outlook released late Monday. It also cut its estimate for growth in 2016 to 3.7%, compared with 4% in October. The US was the only major economy for which the IMF raised growth projections. It now expects the US economy to grow by 3.6% this year and 3.3% in 2016, a 0.5% and 0.3% increase, respectively, over its October forecast. The IMF reduced its estimate for emerging-market growth this year to 4.3% and 4.7% in 2016, down from 4.9% and 5.2% respectively in October.

### ■ US housing to expand more as December housing-starts hit 7-year high

New residential construction in the US rose more than forecast in December, capping the best year since 2007 and signalling the industry will probably keep expanding this year. Housing starts increased 4.4% to a 1.09 million annual rate, following November's 1.04 million pace that was higher than previously estimated. The advance was driven by single-family projects, which climbed to an almost seven-year high. Construction of single-family homes climbed 7.2% to a 728,000 rate, the most since March 2008, from 679,000 the previous month. Work on multi-family homes, such as townhouses and apartment buildings, decreased 0.8% to an annual rate of 361,000.

### ■ BoJ cuts inflation forecast, upgrades economic growth for FY2015 and FY2016

As expected, the BoJ kept its monetary stance unchanged so that the monetary base will increase at an annual pace of about ¥80 trillion. The BoJ also sharply cut its FY2015 core inflation forecast to 1.0% from 1.7% projected in October and conceded it may take longer than expected to hit 2% inflation, underlining the challenges of meeting the target as oil prices continue to slump. The BoJ significantly downgraded FY2014 GDP growth to a contraction of -0.5% (from +0.5% forecast made in October 2014) due to the deeper than expected technical recession in Q3 of 2014 but upgraded economic growth in FY2015 (to 2.1% from 1.5%) and FY2016 (to 1.6% from 1.2%).

### ■ Canada cuts key rate to insure against negative impact of oil price plunge

Market shocks seem to come from central banks these days and the Bank of Canada (BoC) was the latest to surprise the markets with an unexpected 0.25% cut, lowering the policy rate to 0.75% as a response to cushion Canada from the recent oil price shock. The BoC noted that "the oil price shock increases both downside risks to the inflation profile and financial stability risks", that the "unambiguously negative" drop in oil prices will be a hit to jobs and income that may rattle consumption and housing for the country and the cut is "intended to provide insurance against these risks" and support the adjustments needed to return the economy to full output. The BoC cut its 2015 GDP forecast by 0.3% to 2.1%, while headline inflation is expected to slow to 0.3% in Q2, well outside the BoC's target range of 1%-3%.

### ■ ECB commits to €1.1 trillion QE to stimulate the eurozone economy

Central banks continue to lead the headlines in January 2015: The ECB enters into a historic new era under the leadership of Mario Draghi with a pledge to buy €60 billion of public and private assets every month from March 2015 through September 2016 (a QE totalling at least €1.1 trillion, about 11% of GDP) in a push to put more cash into circulation and revive inflation in the eurozone. And the ECB exceeded market expectations by making the programme open-ended as Draghi pledged to keep spending until there's a "sustained adjustment in the path of inflation". The ECB left the key interest rates on refinancing operations, lending and deposit facilities unchanged.

### ■ Singapore's consumer inflation declines again in December

Singapore's December CPI declined a 2nd straight month, coming in at -0.2%/y/y (slight improvement from -0.3%/y/y in November but worse than forecast for -0.1%/y/y). On a seasonally-adjusted basis, December CPI decreased -0.2%/m/m following the 0.3% increase in November. Core inflation (which excludes housing and private road transport) remained at the year-low of 1.5% in December, unchanged from November. For 2014, CPI inflation averaged 1%, down from 2.4% in 2013 while core inflation averaged 1.9%, up from 1.7% in 2013.

### ■ US existing home sales winning streak ends, first-time buyers go missing

US home resales rose 2.4% to an annual rate of 5.04 million units in December, but low participation by first-time buyers suggested the housing recovery would remain gradual for now. Economists were expecting a 5.06 million unit pace. First-time buyers made up 29% of transactions in December as well as for the year as a whole, well below the level needed to boost growth in the housing market. For all of 2014, existing home sales totalled 4.93 million, down 3.1% from the 5.09 million sold in 2013 and the first annual drop in four years.

## Market Snapshot

Selected Equity Indices	Last (Jan 23)	1-week return	Year-to-date return
Dow Jones Industrial Average	17,672.60	0.92%	-0.84%
S&P 500 Index	2,051.82	1.60%	-0.34%
FTSE 100 Index	6,832.83	4.31%	4.06%
Euro Stoxx 50	3,382.55	5.63%	7.50%
Nikkei 225	17,511.75	3.84%	0.35%
Hang Seng Index	24,850.45	3.10%	5.28%
Shanghai SE Composite	3,351.76	-0.73%	3.62%
BSE Sensex Index	29,278.84	4.11%	6.47%
Straits Times Index	3,411.50	3.36%	1.38%

Source: Bloomberg

## Week Ahead

Economic Calendar (Selected Events)				
Mon, Jan 26	Tue, Jan 27	Wed, Jan 28	Thu, Jan 29	Fri, Jan 30
Dallas Fed Mfg Survey	<i>Durable Goods Orders</i>	EIA Petroleum Status Report	<i>Jobless Claims</i>	<i>GDP</i>
	S&P Case-Shiller HPI	<i>FOMC Meeting Announcement</i>	Pending Home Sales Index	Employment Cost Index
	<i>New Home Sales</i>			Chicago PMI
	Consumer Confidence			Consumer Sentiment

Red: Market moving indicator

Black: Merits extra attention

Source: Bloomberg



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