

Headlines

- [Germany, ECB play hardball with Greece](#). *Reuters.com, 01 February 2015*
- [Fed's 'solid' growth view faces test as Greek drama unfolds](#). *Reuters.com, 01 February 2015*
- [China factory gauge sinks to first contraction in two years](#). *Bloomberg.com, 01 February 2015*
- [Greece will repay ECB, IMF, reach deal with EU, Tsipras says](#). *Bloomberg.com, 01 February 2015*

Weekly Review (for week ending 30 January 2015)

■ Anti-austerity Syriza wins Greek election, but eurozone open to talks to lighten loans

European finance ministers started work on reviving Greece's troubled rescue program as new Prime Minister Alexis Tsipras took office promising to end austerity. Finance chiefs from the 19-nation eurozone signalled their willingness to do a deal with Tsipras - so long as the new Greek prime minister drops his demand for a debt writedown. Eurozone ministers may "dangle the potential for future debt relief" through maturity extensions and interest rate cuts, while also preparing for hard negotiations as Greece's cash needs increase. Greece's bailout programme - which totals €240 billion since 2010 - officially ends on 28 February. After that, Greece will no longer have access to cheap credit lines from the ECB. So the first step is getting the Troika (EC, IMF and the ECB) to agree to extend that deadline.

■ Singapore Q4 and full-year GDP growth may be revised higher

Singapore's Q4 and 2014 growth estimates for its GDP look set to be revised upwards, with the manufacturing sector having sprung a December surprise by contracting less than expected. Industrial production fell 1.9% year on year last month, with factory output declining across all clusters except precision engineering. Analysts had expected factory output to fall by a larger 3.4%, given December's weak PMI reading of 49.6. But coupled with November's revised output performance of a 2.1% contraction - versus an earlier preliminary figure of minus 2.8% - December's better-than-anticipated outcome bodes well for Q4's GDP. UOB forecasts full-year GDP growth to be 2.9% - a touch above the government's flash estimate of 2.8%. The MTI will release final growth figures by the end of February.

■ Russia downgraded to 'junk' by S&P; sanctions and oil slump hammer rouble

Russia's foreign-currency credit rating was cut to junk by S&P, putting it below investment grade for the first time in a decade, as policy makers struggle to boost growth amid international sanctions and a drop in oil prices. S&P, which last downgraded Russia in April, cut the sovereign one step to BB+, the same level as countries including Bulgaria and Indonesia. The ratings firm said the outlook is "negative".

■ Singdollar gets surprise tweak as MAS lowers SGD NEER slope

In a surprise move on Wednesday 8am, the Monetary Authority of Singapore (MAS) lowered the SGD NEER policy slope but left the policy of a modest and gradual appreciation of the SGD NEER policy band unchanged. There will also be no change to the width and the level at which it is centred. This off-cycle policy move is due to the re-assessment of Singapore's core inflation and probably in response to potential capital inflows after ECB's QE as well as dovish central banks policies. Core inflation for 2015 is now forecasted to be much lower than before. UOB's economists have re-adjusted their forecast of the USD/SGD to move towards the 1.40 level by Q3 of 2015.

■ Fed stays 'patient' on rate hike, sees 'solid' US growth

The Fed said it would remain "patient" on raising interest rates as the economy posts "solid" growth since its December meeting. It saw further improved US labour market conditions with "strong job gains and a lower unemployment rate" and slack in the market "continues to diminish". The personal consumption expenditures price index, the Fed's preferred measure, put inflation at an annual rate of 1.2%. It said market-based measures of inflation expectations "have declined substantially in recent months", stronger than its previous description that they had fallen "somewhat further". They were watching measures of labour market conditions, inflation pressures and expectations, and financial and international developments, adding "international" to the list. UOB expects the first rate rise in Q2 (16-17 June FOMC).

■ US jobless claims plunge 14% to 15-year low

Data on jobless claims confirmed what US consumers have been saying for the past three months: a strengthening job market is making Americans more confident. Applications for unemployment insurance benefits plunged by 43,000 to 265,000 in the week ended January 24, the fewest since April 2000. The Bloomberg index of consumer comfort climbed to 47.3 from 44.7 in the prior week, the highest level since July 2007. The four-week average of claims dropped to 298,500 from a six-month high of 306,750 in the prior period.

■ Japan December jobless rate falls to 3.4%, lowest since 1997

The unemployment rate for December edged down to 3.4% from 3.5% in November, hitting its lowest level since mid-1997. The number of unemployed people was a seasonally adjusted 2.28 million, down 0.4% from November, while the number of people holding jobs increased 0.7% to 63.88 million. Japan was still grappling with the twin problems of sluggish consumer demand (household spending dropped 3.4% from year ago) and low inflation (prices rose just 0.5% m/m from November's 0.7% adjusted for sales tax) in December.

■ US Q4 GDP growth slows on weak business spending

US economic growth slowed sharply in Q4 as weak business spending and a wider trade deficit offset the fastest pace of consumer spending since 2006. GDP expanded at a 2.6% annual pace after Q3's spectacular 5%. For all of 2014, the economy grew 2.4% compared with 2.2% in 2013. Consumer spending, which accounts for more than two-thirds of US economic activity, advanced at a 4.3% pace in Q4, accelerating from Q3's 3.2% pace. This was overshadowed by business spending on equipment which fell at a 1.9% rate.

Market Snapshot

Selected Equity Indices	Last (Jan 30)	1-week return	Year-to-date return
Dow Jones Industrial Average	17,164.95	-2.87%	-3.69%
S&P 500 Index	1,994.99	-2.77%	-3.10%
FTSE 100 Index	6,749.40	-1.22%	2.79%
Euro Stoxx 50	3,351.44	-0.92%	6.52%
Nikkei 225	17,674.39	0.93%	1.28%
Hang Seng Index	24,507.05	-1.38%	3.82%
Shanghai SE Composite	3,210.36	-4.22%	-0.75%
BSE Sensex Index	29,182.95	-0.33%	6.12%
Straits Times Index	3,391.20	-0.60%	0.77%

Source: Bloomberg

Week Ahead

Economic Calendar (Selected Events)				
Mon, Feb 2	Tue, Feb 3	Wed, Feb 4	Thu, Feb 5	Fri, Feb 6
<i>Personal Income and Outlays</i>	Factory Orders	ADP Employment Report	<i>International Trade</i>	<i>Employment Situation</i>
PMI Manufacturing Index		ISM Non-Mfg Index	<i>Jobless Claims</i>	
<i>ISM Mfg Index</i>		EIA Petroleum Status Report	Productivity and Costs	
Construction Spending				

Red: Market moving indicator

Black: Merits extra attention

Source: Bloomberg



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