

Headlines

- [China central bank steps up easing tempo as factory activity shrinks](#). *Reuters.com, 01 March 2015*
- [ECB braces for QE as others shift rates](#). *Reuters.com, 01 March 2015*
- [Congress avoids Homeland Security shutdown with stopgap measure](#). *Bloomberg.com, 28 February 2015*
- [Chinese factory gauge shows weakness that spurred rate cut](#). *Bloomberg.com, 01 March 2015*

Weekly Review (for week ending 27 February 2015)

■ US existing home sales slow in January to 9-month low

US existing home sales slowed to their lowest pace in nine months in January, despite very low mortgage interest rates, the National Association of Realtors said. Total sales of used homes fell 4.9% from December to an annual rate of 4.82 million units, with the fall in both the single-family unit category and in condominiums. Sales were 3.2% higher than a year earlier, but January 2014 was marked by a sharp downturn in economic activity when wide swaths of the eastern half of the country endured repeated severe winter storms. Total inventory of used houses for sale increased slightly in the month, and unsold inventory equalled a 4.7-month supply at the current sales pace. The median price for an existing home was US\$199,600, 6.2% more than in January 2014.

■ Yellen: No rate hike for next couple FOMC meetings

Federal Reserve Chair Janet Yellen struck a decidedly dovish tone in indicating that it would be a while before the central bank's FOMC makes a move on interest rates. "The FOMC's assessment that it can be patient in beginning to normalize policy means that the Committee considers it unlikely that economic conditions will warrant an increase in the target range for the federal funds rate for at least the next couple of FOMC meetings", Yellen said in prepared remarks before the Senate Banking Committee. "If economic conditions continue to improve, as the Committee anticipates, the Committee will at some point begin considering an increase in the target range for the federal funds rate on a meeting-by-meeting basis. Before then, the Committee will change its forward guidance", she said.

■ China February flash HSBC PMI at 4-month high

Activity in China's factory sector edged up to a four-month high in February but export orders shrank at their fastest rate in 20 months, painting a murky outlook that argues for more policy support. The flash HSBC/Markit PMI inched up to 50.1 in February. Economists had forecast a reading of 49.5, little changed from January's final PMI of 49.7. While domestic demand picked up slightly, the new export orders sub-index shed three hefty points from January to skid to 47.1, the sharpest rate of contraction since June 2013. Input and output prices also fell. Though prices did not drop as sharply as they did in January, the trend pointed to further pressure on companies' profitability. Employment in factories shrank as well for the 16th straight month as firms dismissed workers to adjust to slower business.

■ New US home sales dip, but still near multi-year highs

New US single-family home sales fell less than expected in January and supply rose to its highest level since 2010, hopeful signs for a sluggish housing market. The Commerce Department said on Wednesday that sales dipped 0.2% to a seasonally adjusted annual rate of 481,000 units. December's sales pace was revised up to 482,000 units, the highest level since June 2008, from 481,000 units.

■ UK business investment slips as oil prices fall, Q4 GDP growth steady at 0.5%

Investment by businesses in Britain fell at its sharpest rate in nearly six years in Q4, hit by lower investment in the petroleum sector as global oil prices fell. GDP in Q4 grew by 0.5%, unchanged from preliminary estimates, slowing from 0.7% in Q3. That was the slowest quarterly growth rate in a year. In year-on-year terms, growth was 2.7%, also unchanged from preliminary estimates. Business investment fell by 1.4% in Q4 after a 1.2% fall in Q3, the biggest drop since Q2 of 2009 and contrasted with a forecast for an increase of 1.9%.

■ US CPI inflation falls 0.7% in January, but core inflation rose more than expected

The US CPI fell a seasonally adjusted 0.7% in January from December. From a year earlier, prices declined 0.1%. It was the first year-over-year decrease since October 2009. Excluding food and energy, prices were up 0.2% last month and rose 1.6% from a year earlier. Economists had expected a 0.6% decline in overall prices in January from December and a 0.1% gain for core prices on the month.

■ US jobless claims rose 31,000 to 313,000 versus 290,000 estimate

More Americans sought unemployment aid last week, though the number of applications was still consistent with steady hiring. The Labour Department said Thursday that weekly applications rose 31,000 to a seasonally adjusted 313,000 in the week ended February 21 from a revised 282,000 in the prior period, the most in six weeks. The four-week average, a less volatile measure, increased 11,500 to 294,500. Economists expected a reading of 290,000 in the latest week. Federal Reserve officials are monitoring improvement in the labour market as they consider the timing of their first interest rate increase since 2006.

■ US Q4 GDP growth revised downwards to 2.2% on lower business inventories

US economic growth slowed more sharply than initially thought in Q4 of 2014 amid less stockpiling in business inventories and a wider trade deficit, but strong domestic demand brightened the outlook. GDP expanded at a 2.2% annual pace in Q4, revised down from the 2.6% pace estimated last month. The economy grew at a 5% rate in Q3. The moderate growth from inventories resulted in the GDP growth contribution from inventories being cut to 0.1% from 0.8% previously. But consumer spending grew at its quickest pace since early 2006. Growth is poised to pick up in the Q1 of 2015 now that the threat of an inventory overhang has diminished.

Market Snapshot

Selected Equity Indices	Last (Feb 27)	1-week return	Year-to-date return
Dow Jones Industrial Average	18,132.70	-0.04%	1.74%
S&P 500 Index	2,104.50	-0.27%	2.21%
FTSE 100 Index	6,946.66	0.45%	5.80%
Euro Stoxx 50	3,599.00	3.11%	14.38%
Nikkei 225	18,797.94	2.54%	7.72%
Hang Seng Index	24,823.29	-0.04%	5.16%
Shanghai SE Composite	3,310.30	1.95%	2.34%
BSE Sensex Index	29,220.12	-0.04%	6.26%
Straits Times Index	3,402.86	-0.95%	1.12%

Source: Bloomberg

Week Ahead

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

Red: Market moving indicator

Black: Merits extra attention

Source: Bloomberg



For more reports, use your smartphone to scan the QR code

Disclaimers

The information herein is given on a general basis without obligation and is strictly for information purposes only. It is not intended as an offer or solicitation with respect to the purchase or sale of any investment or insurance product mentioned herein. Nothing herein should be construed as a recommendation or advice to transact in any investment or insurance product mentioned herein.

Although every reasonable care has been taken to ensure the accuracy and objectivity of the information contained in this publication, United Overseas Bank Limited ("the Company") and its employees cannot be held liable for any errors, inaccuracies or omissions, howsoever caused, or for any decision or action taken based on the information or views expressed in this publication. The Company does not warrant the accuracy, adequacy, timeliness or completeness of the information herein for any particular purpose, and expressly disclaims liability for any errors, inaccuracies or omissions. Any opinions, projections and other forward-looking statements regarding future events or performance of, including but not limited to, countries, markets or companies are not necessarily indicative of, and may differ from actual events or results.

The information herein has no regard to the specific objectives, financial situation and particular needs of any specific person. Investors may wish to seek advice from an independent financial advisor before investing in any investment or insurance product. Should you choose not to seek such advice, you should consider whether the investment or insurance product in question is suitable for you.