

## Headlines

- [Abe-Kuroda honeymoon soured by fiscal friction](#). *Reuters.com*, 22 March 2015
- [US inflation, Greek tensions in focus](#). *Reuters.com*, 22 March 2015
- [Finland may lose top Fitch rating amid stagnation, rising debt](#). *Bloomberg.com*, 21 March 2015
- [Chinese Vice Premier says rapid growth isn't what economy needs](#). *Bloomberg.com*, 22 March 2015

## Weekly Review (for week ending 20 March 2015)

### ■ US factory output falls for third straight month in February

Output at US factories fell for a third straight month in February, driven by a big drop in production at auto plants. The Fed said that manufacturing output fell 0.2% in February, following a decline of 0.3% in January. Overall industrial production edged up a slight 0.1% in February, as unusually cold weather in many parts of the country led to a surge at utilities. The weakness at factories is attributed in part to a stronger dollar, which makes exports more expensive, and supply disruptions from the labour dispute at West Coast ports.

### ■ Singapore February NODX fell by the most in two years

Singapore's NODX fell 9.7% y/y (-9.4% m/m SA) in February, the most in two years, reversing the 4.3% y/y (+1.6% m/m SA) gain in January. The February contraction also came in much lower than consensus expectations of a 0.9% y/y decline. The key reason for the decline was due to the Lunar New Year falling in February this year, compared to January in 2014. The trade agency expects Singapore's NODX to grow between 1% and 3% in 2015. However, UOB maintains its 2015 NODX forecast of a 1% contraction, as it sees a slowdown in PC-related electronics exports as well as the trend where manufacturers shift focus to the export of services rather than merchandise.

### ■ BoJ keeps massive monetary stimulus unchanged in March

No surprise again as the BoJ kept its monetary stance unchanged to "conduct money market operations so that the monetary base will increase at an annual pace of about 80 trillion yen". The decision was again not unanimous at 8 to 1 as Kiuchi voted against it. While BOJ continued the same optimistic growth outlook (as it did in February), it downgraded the core inflation to be in the range of 0-0.5% and it was more definitive on CPI y/y inflation, expecting it "to be about 0% for the time being, due to the effects of the decline in energy prices".

### ■ China new home prices in biggest fall on record, adding risk to economic growth target

China's average new home prices fell at the fastest pace on record in February from a year ago, hurt by slower sales during the Lunar New Year holidays, but developers and analysts expected prices to slowly recover - particularly in top-tier cities. Average new home prices in China's 70 major cities dropped 5.7% last month from a year ago, the sixth consecutive fall, following January's 5.1% decline. It was the biggest annual decline in the survey since it began in 2011. The monthly fall in February was 0.4%, the same as in January, and pointing to sustained risks to the government's new 7% economic growth target for the year. The property sector accounts for 15% of China's GDP.

### ■ Fed drops 'patient' stance, signalling slower pace of rate increase

The US dollar slumped last Wednesday after the cautious FOMC statement and downbeat data forecast revisions scuttled hopes for higher interest rate expectations. The markets interpreted the statement as dovish. The US dollar recorded its biggest one-day decline against the euro since March 2009. "Just because we removed the word patient from the statement doesn't mean we are going to be impatient", Chair Janet Yellen said. The FOMC said it will be appropriate to tighten "when it has seen further improvement in the labour market and is reasonably confident that inflation will move back to its 2% objective over the medium term. An increase in the target range for the federal funds rate remains unlikely at the April meeting", it said in its statement.

### ■ ECB grants Greece less emergency liquidity than requested

The ECB raised the maximum amount of emergency liquidity available to Greek lenders by €400 million, less than the Greek central bank requested, people familiar with the decision said. The increase was approved by the ECB's Governing Council on Wednesday. Greece requested about €900 million. Greek banks were cut off from regular ECB funding operations in February, forcing them onto Emergency Liquidity Assistance (ELA) from the Greek central bank. The ECB has the power to curb ELA and is reviewing it weekly amid concern that banks will use it to finance the Greek government and so violate EU law. The increase should take ELA to about €70 billion.

### ■ US jobless claims up slightly; weather hurts factory activity

Initial claims for state unemployment benefits increased 1,000 to a seasonally adjusted 291,000 for the week ended March 14. The increase was broadly in line with economists' expectations. Claims have bounced around for much of the winter as harsh weather caused a swing in filings. But through the volatility, the trend remained consistent with a strengthening jobs market. The four-week moving average of claims, considered a better measure of labour market trends as it irons out week-to-week volatility, rose 2,250 to 304,750 last week.

### ■ Australia signals approval of China-based AIIB; Japan divided

Australia said on Friday there was a lot of merit in the China-led Asian Infrastructure Investment Bank (AIIB) while Japan's finance minister signalled cautious approval of the institution that the United States has warned against. Japan, Australia and the South Korea, all major US allies, are the notable regional absentees from the AIIB. The US, worried about China's growing diplomatic clout, has questioned whether the AIIB will have sufficient standards of governance and environmental and social safeguards. Britain said earlier this month that it would join the institution, maintaining it was in its national interest. France, Germany and Italy swiftly followed suit.

## Market Snapshot

Selected Equity Indices	Last (Mar 20)	1-week return	Year-to-date return
Dow Jones Industrial Average	18,127.65	2.13%	1.71%
S&P 500 Index	2,108.10	2.66%	2.39%
FTSE 100 Index	7,022.51	4.18%	6.95%
Euro Stoxx 50	3,726.07	1.91%	18.42%
Nikkei 225	19,560.22	1.59%	12.09%
Hang Seng Index	24,375.24	2.32%	3.26%
Shanghai SE Composite	3,617.32	7.25%	11.83%
BSE Sensex Index	28,261.08	-0.85%	2.77%
Straits Times Index	3,412.44	1.48%	1.41%

Source: Bloomberg

## Week Ahead

Economic Calendar (Selected Events)				
Mon, Mar 23	Tue, Mar 24	Wed, Mar 25	Thu, Mar 26	Fri, Mar 27
<i>Existing Home Sales</i>	<i>Consumer Price Index</i>	<i>Durable Goods Orders</i>	<i>Jobless Claims</i>	<i>GDP</i>
	PMI Manufacturing Index Flash	EIA Petroleum Status Report		Consumer Sentiment
	<i>New Home Sales</i>			

Red: Market moving indicator

Black: Merits extra attention

Source: Bloomberg



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