

## Headlines

- [China has plenty of room to maneuver policy: Premier Li](#). *Reuters.com, 15 March 2015*
- [UK seeks to join China-backed Asian Infrastructure Bank](#). *Bloomberg.com, 14 March 2015*
- [Oil rigs tumble for the 14th week](#). *Bloomberg.com, 14 March 2015*
- [Varoufakis says QE bound to fail, Padoa-Schioppa calls it success](#). *Bloomberg.com, 14 March 2015*

## Weekly Review (for week ending 13 March 2015)

### ■ Japan Q4 GDP revised down to +1.5% annualised; rebound got more subdued

Japanese GDP rose an annualised 1.5% in Q4, revised government data showed on Monday, less than the preliminary reading of a 2.2% increase as capital expenditure weakened. On a quarter-on-quarter basis, the economy grew 0.4% in Q4, lower than the preliminary reading of a 0.6% increase. Compared to one year ago, Q4 GDP contracted by a worse -0.8%/y (from -0.5%/y in the first estimate). For the full year, GDP actually contracted by -0.03% (from a slight expansion of 0.042%) in 2014, compared to the 1.6% growth in 2013 and remains the worst GDP growth year since 2011. Capital expenditure fell 0.1% from Q3, versus a preliminary 0.1% increase.

### ■ China consumer inflation picks up, but deflation risks remain

China's core inflation rate rose by 1.4% in February from a year earlier, recovering from a more than five-year low and exceeding most expectations. The CPI data compares with a rise of 0.8% in January, which was the weakest reading since November 2009. China's new consumer inflation target is about 3%, down from 3.5% in 2014. The rise in inflation for the period was attributed by officials to China's Lunar New Year celebrations. The PPI which includes wholesale and factory price inflation, showed worsening deflation, declining 4.8% in February and highlighting persistent weakness in the economy. Expectations were for a fall of 4.3%, in line with January's data. China has now seen factory price deflation for some three years, driven by weaker commodity prices.

### ■ ECB's 'QE' on track with day one purchases at €3.2 billion

ECB executive board member Benoit Coeure said that during Monday's kick-off day for the massive bond purchase programme, the ECB and the central banks of the 19 eurozone nations purchased a total €3.2 billion in bonds. That put the QE programme on track to attain its monthly goal of €60 billion worth of buyback of public and private sector debt, with a view to supporting growth and lifting eurozone inflation from below zero. The euro sank to its lowest since April 2003 as low yields hurt. This was further exacerbated by US dollar strength on mounting speculation that the Federal Reserve will lift interest rates by mid-year as the US economy picks up strength.

### ■ UK industrial output unexpectedly falls in January, hit by tumble in IT work

British industrial output unexpectedly fell in January hit by a reduction in work in the IT and machinery sectors after a strong December. Industrial output fell by a monthly 0.1%, compared with forecast for a 0.2% increase. The ONS said manufacturing output slid 0.5% in January from December. The biggest drag came from the computer, electronic and optical sector in which output plunged by 9.5%, its biggest monthly fall since early 2002. In yearly terms, industrial production and manufacturing were up 1.3% and 1.9% respectively.

### ■ German economy gaining steam in early 2015

The German economy is gathering momentum at the start of this year and the upturn will continue into the spring. The economy ministry said that the weakness seen in Europe's largest economy last year had been overcome. "The German economy is experiencing an upturn again at the start of the year", the ministry said in its monthly report. But the weak industrial production in January meant expectations should not be raised too high because the global economy was not proving to be very dynamic. The German economy narrowly skirted a recession in mid-2014 but it managed to pull off 1.6% growth last year overall and the government expects it to expand by 1.5% this year.

### ■ Chinese factory data shows weakest start in 6 years

China's economy is already behind target as monetary easing shows few signs of traction. Factory production rose 6.8% in the January and February period from a year ago, lower than estimates for 7.7%. Retail sales advanced 10.7%, while fixed-asset investment increased 13.9%. All missed analysts' estimates, suggesting more stimulus is needed to boost the economy. Bloomberg's GDP tracker, which uses that data as well as electricity production, shows GDP growth slowing to 6.28% in the period, the weakest pace since the start of 2009.

### ■ Third strike as cold weather chills US retail sales

US retail sales unexpectedly fell in February as harsh weather kept consumers from auto showrooms and shopping malls, tempering the outlook for Q1 growth and a June interest rate increase by the Fed. Retail sales contracted for a third consecutive month in February as sales drop to -0.6%/m (compared to market consensus for a 0.3% increase), from a downwardly revised -1.1%/m in January. Core retail sales were flat after a downwardly revised 0.1% dip in January, and have been downbeat since December. February's weak reading and January's revision prompted economists to cut their Q1 GDP growth estimates by as much as 0.6% to 1.2% annual rate.

### ■ US producer price index down 0.5% in February versus up 0.3% expected, signalling weak inflation

US producer prices unexpectedly fell in February on weak trade margins, pointing to muted inflation pressures that could argue against an anticipated June interest rate hike from the Fed. The Labour Department said its producer price index for final demand fell 0.5% after dropping 0.8% in January. Economists had expected a 0.3% rise. It was the fourth straight monthly decline in the PPI. A key measure of underlying producer price pressures that excludes food, energy and trade services was unchanged after a record 0.3% drop in January.

## Market Snapshot

Selected Equity Indices	Last (Mar 13)	1-week return	Year-to-date return
Dow Jones Industrial Average	17,749.31	-0.60%	-0.41%
S&P 500 Index	2,053.40	-0.86%	-0.27%
FTSE 100 Index	6,740.58	-2.48%	2.66%
Euro Stoxx 50	3,656.21	1.07%	16.20%
Nikkei 225	19,254.25	1.49%	10.33%
Hang Seng Index	23,823.21	-1.41%	0.92%
Shanghai SE Composite	3,372.91	4.06%	4.27%
BSE Sensex Index	28,503.30	-3.21%	3.65%
Straits Times Index	3,362.77	-1.60%	-0.07%

Source: Bloomberg

## Week Ahead

Economic Calendar (Selected Events)				
Mon, Mar 16	Tue, Mar 17	Wed, Mar 18	Thu, Mar 19	Fri, Mar 20
Empire State Mfg Survey	<i>Housing Starts</i>	EIA Petroleum Status Report	<i>Jobless Claims</i>	
<i>Industrial Production</i>		<i>FOMC Meeting Announcement</i>	<i>Philadelphia Fed Survey</i>	
Housing Market Index		<i>Chair Press Conference</i>		
Treasury International Capital		<i>FOMC Forecasts</i>		

Red: Market moving indicator

Black: Merits extra attention

Source: Bloomberg



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