

## Headlines

- [German court must decide on rescue fund by Sept: Juncker](#). *Reuters.com*, 14 Jul 2012
- [EIB head: euro zone crisis will not end within two years](#). *Reuters.com*, 15 Jul 2012
- [Italy aims to cut its debt by 20% by 2018. Grilli tells Corriere della Sera](#). *Bloomberg.com*, 15 Jul 2012
- [Retail sales probably increased on autos: US Economy Preview](#). *Bloomberg.com*, 15 Jul 2012

## Weekly Review (for week ending 13 July 2012)

### ■ China inflation eases to 29-month low in June, CPI rises 2.2% from year ago

China's consumer-price inflation eased to a 29-month low in June, giving Premier Wen Jiabao more room to relax economic policies after a second interest-rate cut in a month. The CPI rose 2.2% from a year earlier versus a 2.3% forecast, a fifth month of price gains below Wen's 4% target. Producer prices dropped 2.1%, versus a forecast for a 2% fall, encouraging further government steps to aid growth.

### ■ China's June trade growth weakens amid economic slump

China's trade growth plunged in June, hurt by weak US and European demand and a Chinese slowdown, with a potential impact on economies as far-flung as Africa and Australia. Import growth fell by half to 6.3% in June from May's 12.7%, data showed Tuesday, as factories facing weak foreign orders cut purchases of raw materials and domestic demand softened despite stimulus efforts. Export growth declined to 11.3% from May's 15.3%. The import slowdown was greater than expected.

### ■ Eurozone gives Spain more time and money

Eurozone ministers agreed early on Tuesday to grant Spain an extra year until 2014 to reach its deficit reduction targets of 3% in exchange for further budget savings and set the parameters of an aid package for Spain's ailing banks. No final figure was agreed for aid to ailing Spanish lenders, weighed down by bad debts due to a housing crash and recession, but the EU has set a maximum of €100 billion and some €30 billion would be available by the end of July if there was an urgent need.

### ■ Spanish PM announces €65 billion austerity package

Spain's PM Mariano Rajoy announced Wednesday a €65 billion austerity package to avert financial collapse as angry miners rallied against subsidy cuts. Rajoy performed a U-turn by ramping up value added sales tax having promised he would not raise it, and took an axe to state expenditure. He reminded parliament that Spain is going through one of its worst recessions in history, with unemployment at 24.4%, and economic activity set to decline by 1.7% this year. VAT goes up to 21% from 18%. Public administration is to be reformed to save €3.5 billion. For the newly unemployed, benefits will be cut after six months from 70% of basic salary to 50%.

### ■ US trade deficit narrows in May due to lower oil prices

Lower oil prices helped to shrink the US trade deficit in May amid weak growth in the US and a global slowdown, Commerce Department data showed Wednesday. The trade gap narrowed 3.8% to US\$48.68 billion in May, down from a revised US\$50.60 billion in April, but meeting analyst expectations. Wholesale inventories also met predictions, rising 0.3% but trailed the 0.6% advance in April. The petroleum deficit tumbled 11.2% to US\$24.9 billion in May as oil prices fell in response to the eurozone debt crisis and a slowdown in China.

### ■ Australia lost 27,000 jobs in June, unemployment up at 5.2%

Australia's unemployment rate rose to 5.2% in June, with the economy shedding 27,000 jobs as global uncertainty and the strong Australian dollar weighed on employers. The Australian Bureau of Statistics said the seasonally-adjusted jobless rate increased from 5.1% in May as full-time employment dropped sharply and the number of people seeking work also fell. The headline rate was in line with expectations but the number of jobs lost was worse than predicted, with analysts forecasting 10,000.

### ■ China bank loans rise 16% in June; economy grew 7.6% in Q2, slowest pace in 3 years

China's bank lending rose 16% in June from May, PBoC reported Thursday, in a sign government efforts to spur the country's slowing economy may be working. Chinese banks lent 919.8 billion yuan in new loans, up from 793.2 billion yuan in May. The PBoC announced that China's foreign exchange reserves, the world's largest, stood at US\$3.24 trillion at the end of June, down slightly from US\$3.31 trillion at the end of March. The National Bureau of Statistics said on Friday, China's economy grew by 7.6% in Q2 from a year ago, the slowest pace in more than three years. This dragged down growth for the first half of the year to 7.8%. GDP growth was 8.1% in Q1.

### ■ Singapore GDP unexpectedly contracted 1.1% in Q2

Singapore's trade-driven economy contracted by 1.1% *q/q* *saar* in Q2, against market expectations of 2.3% *y/y*, 1.0% *q/q* *saar*, the MTI said Friday. The unexpected contraction, down from 9.4% *q/q* *saar* growth in Q1, was largely due to an output drop in the biomedical manufacturing industry. UOB economists are maintaining full year GDP growth at 2.5%, well within the government forecast of 1.0-3.0%.

### ■ Moody's downgrades Italy 2 notches to "Baa2"

Moody's downgraded Italy's government bond rating by two notches to Baa2 from A3, citing the knock-on effects of a possible Greek exit from the eurozone and Spain's banking woes. Italy, third-biggest economy in the eurozone, was now "more likely to experience a further sharp increase in its funding costs or the loss of market access" for borrowing to service its budget. The yield on 10-year Italian debt jumped 15 basis points to 6.06%. Hours later, Italian banks came to the rescue at the auction and yields on 3-year debt fell well below 5%.

## Market Snapshot

Selected Equity Indices	Last (Jul 13)	1-week return	Year-to-date return
Dow Jones Industrial Average	12,777.09	0.04%	4.58%
S&P 500 Index	1,356.78	0.16%	7.89%
FTSE 100 Index	5,666.13	0.06%	1.68%
Euro Stoxx 50	2,259.09	1.05%	-2.48%
Nikkei 225	8,724.12	-3.29%	3.18%
Hang Seng Index	19,092.63	-3.58%	3.57%
Shanghai SE Composite	2,185.90	-1.69%	-0.61%
BSE Sensex Index	17,213.70	-1.75%	11.38%
Straits Times Index	2,995.56	0.57%	13.20%

Source: Bloomberg

## Week Ahead

Economic Calendar (Selected Events)				
Mon, Jul 16	Tue, Jul 17	Wed, Jul 18	Thu, Jul 19	Fri, Jul 20
<i>Retail Sales</i>	<i>Consumer Price Index</i>	<i>Housing Starts</i>	<i>Jobless Claims</i>	
Empire State Mfg Survey	Treasury International Capital	EIA Petroleum Status Report	<i>Existing Home Sales</i>	
Business Inventories	<i>Industrial Production</i>	Beige Book	<i>Philadelphia Fed Survey</i>	
	Housing Market Index			

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.