UOB Personal Financial Services
Deposits, Investments & Insurance Strategy
Research & Product Advisory

Monday, 17 June 2013

Weekly Update

Headlines

- Britain moves on tax dodges ahead of G8 summit. *Reuters.com, 15 Jun 2013*
- BOJ's REITs purchase to exceed previous estimate. *Reuters.com, 15 Jun 2013*
- IMF sees Fed QE through 2013, warns of exit plan challenges. *Bloomberg.com, 15 Jun 2013*
- Italy government approves growth plan pinned on infrastructure. *Bloomberg.com, 16 Jun 2013*

Weekly Review (for week ending 14 June 2013)

S&P upgrades US credit outlook to 'stable'; government debt 84% of GDP

S&P on Monday removed the near-term threat of another credit rating downgrade for the United States by revising its outlook to stable from negative, citing an improved economic and fiscal outlook. The change effectively means there is less than a one-third chance of a downgrade from the current AA+ rating in the next two years. S&P said a key factor to its revision in the US rating outlook was the agreement reached by Congress to avoid the 'fiscal cliff', which had threatened some US$600 billion in automatic tax increases and spending cuts. Both Moody's and Fitch Ratings give the US credit their highest triple-A rating but with negative outlook.

BoJ keeps monetary policy unchanged, upgrades view of Japan economy

Japan's central bank ended a two-day policy meeting on Tuesday with an upbeat assessment for its economy and a pledge to persist with its aggressive monetary easing policies aimed at ending years of growth-sapping deflation. The BoJ refrained, however, from taking further action to curb unusual volatility in the market for Japanese government bonds that has raised concern over the potential impact of Prime Minister Shinzo Abe's economic strategies on the country's rising public debt. "Japan's economy has been picking up," the BoJ said, supported by government and consumer spending. The stronger assessment followed a revision of data to show growth recovered to 4.1% in January-March, raising hopes that PM Abe's heavy-spending recovery strategy may be helping end a two-decade-long slump.

Economists lower Singapore 2013 growth forecast

Singapore's economy is expected to grow at a slower pace in 2013 than previously forecast. Economists polled by MAS now project median growth of 2.3% for the year, versus a March forecast of 2.8%. The lower GDP forecast comes after the economy grew only 0.2% in Q1, as poor performance in the biomedical and transport engineering clusters damped manufacturing growth. Economists also slashed their forecast for inflation in 2013 to 2.8%, from 3.8% in the March survey. The lower price expectations stem largely from a steep drop in vehicle ownership costs as new government curbs on car loans pulled COE premiums sharply lower. Consumer price inflation slowed to 1.5% in April on lower transport costs, from 3.5% the previous month. Economists continue to expect core inflation, which excludes cost of housing and transport, to remain elevated at 1.8% for the year, although slightly lower than the 2.0% predicted in the March survey.

World Bank cuts global outlook as China slows; Europe contracts

The World Bank cut its global growth forecast for this year after emerging markets from China to Brazil slowed more than projected, while budget cuts and slumping investor confidence deepened Europe's contraction. The world economy will expand 2.2%, less than a January forecast for 2.4% growth and slower than last year's 2.3%. It lowered its prediction for developing economies and sees the euro region's GDP shrinking 0.6%. In contrast, forecasts were raised for the US and Japan, which was helped by fiscal and monetary stimulus.

US retail sales beat expectations as automobiles surge

Retail sales rose more than expected in May as households stepped up purchases of automobiles and bought other goods, suggesting the economy was squeezing out of a recent soft patch. Retail sales increased 0.6% after edging up 0.1% in April. Economists had expected retail sales which account for about 30% of consumer spending to rise 0.4% last month. Core sales, which strip out automobiles, gasoline and building materials and correspond closely with the consumer spending component of GDP, increased 0.3% after rising 0.2% in April.

US jobless claims fall 12,000; labour market shows resilience

Fewer Americans than forecast filed applications for unemployment benefits last week, showing companies are refraining from firing workers even as growth cools this quarter. Jobless claims dropped by 12,000 to 334,000 in the week ended June 8 from 346,000 the prior period. The 4-week moving average for new claims dropped 7,250 to 345,250. The labour market is being closely watched for clues to when the Federal Reserve might start scaling back monetary stimulus, and start tapering its US$85 billion of monthly bond purchases.

March jobless rate at 1.9% in Singapore

Job vacancies in Singapore rose in the first quarter of this year while unemployment remained low. Singapore's seasonally adjusted overall unemployment rate stayed low at 1.9% in March, compared to the 1.8% registered in December 2012. The unemployment rate for Singapore residents rose to 2.9% from 2.7% while the citizen unemployment rate remained unchanged at 2.9%.

US industrial output and producer prices both slightly up in May

Manufacturers in the US boosted production in May for the first time in three months, signalling the worst of the industrial slump is over. Factory output climbed 0.1% after dropping 0.4% in April and 0.3% in March. Another report showed consumer sentiment declined this month from a six-year high The producer-price index rose 0.5% after falling 0.7% in April, which was the biggest drop in more than three years. Core wholesale inflation, which excludes often-volatile food and energy prices, increased 0.1%. Fed officials meeting June 18-19 will weigh how much changes in inflation and the labour market will influence the pace of their US$85 billion in monthly asset purchases.

Market Snapshot

Selected Equity Indices	Last (Jun 14)	1-week return	Year-to-date return
Dow Jones Industrial Average	15,070.18	-1.17%	15.00%
S&P 500 Index	1,626.73	-1.01%	14.06%
FTSE 100 Index	6,308.26	-1.62%	6.96%
Euro Stoxx 50	2,667.32	-2.08%	1.19%
Nikkei 225	12,686.52	-1.48%	22.04%
Hang Seng Index	20,969.14	-2.81%	-7.45%
Shanghai SE Composite	2,162.04	-2.21%	-4.72%
BSE Sensex Index	19,177.93	-1.29%	-1.28%
Straits Times Index	3,161.43	-0.73%	-0.18%

Source: Bloomberg

Week Ahead

Economic Calendar (Selected Events)				
Mon, Jun 17	**Tue, Jun 18**	**Wed, Jun 19**	**Thu, Jun 20**	**Fri, Jun 21**
Empire State Mfg Survey	*Consumer Price Index*	EIA Petroleum Status Report	*Jobless Claims*	
Treasury International Capital	*Housing Starts*	*FOMC Meeting Announcement*	PMI Manufacturing Index Flash	
Housing Market Index		*FOMC Forecasts*	*Existing Home Sales*	
		Chairman Press Conference	*Philadelphia Fed Survey*	

Red: Market moving indicator
Black: Merits extra attention
Source: Bloomberg

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