

## Headlines

- [Britain and China set up three-year currency swap line](#). *Reuters.com, 22 Jun 2013*
- [Europe unable to break impasse on who pays when banks fail](#). *Reuters.com, 22 Jun 2013*
- [Bullard says new Fed QE outlook plan 'inappropriately timed'](#). *Bloomberg.com, 21 Jun 2013*
- [Autos probably led consumer spending gain: US Economy Preview](#). *Bloomberg.com, 23 Jun 2013*

## Weekly Review (for week ending 21 June 2013)

### ■ Singapore May NODX fell 4.6%, worse than the projected 0.2% contraction

Singapore May NODX declined by 4.6% y/y, worse than the 1% contraction seen a month ago. This was due to the decline in electronic exports (-13.2%) outweighing the marginal growth in non-electronic (+0.2%) exports. NODX to China, Thailand, HK and Taiwan grew in May but contracted for the rest of the destinations making the top 10 list. Top 3 contributors to NODX declines were the South Korea (-41.1%), Malaysia (-20.4%), and Indonesia (19.7%). Although UOB economists are expecting a recovery in global electronics demand in 2H13 to boost electronics exports, NODX had declined 8.7% year-to-date, posing downside risk to full year NODX forecast of 2%.

### ■ China's new home prices still rising despite cooling measures

China's new home prices rose in almost all cities in May, led by major centres, as the government's latest property measures failed to deter buyers. Prices climbed from a year earlier in 69 of the 70 cities tracked by the government, the most since August 2011. The southern business city of Guangzhou posted the biggest gain with prices rising 15% from a year earlier. Beijing prices climbed 12%, while Shanghai prices advanced 10%. All three cities had their biggest increase since the government changed its methodology for the data in January 2011. The only decline in new home prices last month was the eastern city of Wenzhou, where they fell 3.6% from a year earlier.

### ■ Rising US consumer prices signal firming economy

US consumer prices rose in May and a gauge of underlying price pressures showed signs of stabilising after a long decline, a potential comfort to Federal Reserve policymakers who would like to see stronger inflation. The Labour Department said its CPI edged 0.1% higher last month after two straight months of declines, just below analysts' expectations. In a sign of stronger demand in the economy, consumer prices outside of food and energy rose 0.2%, just above the pace clocked in April. The "core" consumer prices, which US central bankers monitor closely because they are less volatile, were up 1.7% in the 12 months through May. The increase last month matched April's gains and supported the view that a worrisome downward trend in core inflation, which began a year ago, might be coming to an end.

### ■ US May housing starts rebound less than forecast

Housing starts rebounded slower than expected last month on weak single-unit activity after the worst slump in two years, while new permits declined in line with estimates. Housing starts rose 6.8% to a seasonally adjusted annual rate of 914,000, from a revised 856,000 in the previous month. Building permits declined 3.1% to an annual rate of 974,000, from a revised 1,005,000 units, the Department of Commerce said. Despite the recent hiccups in new construction, investments in housing grew 12.1% in Q1 compared to Q4 of last year.

### ■ Fed ready to taper QE, but not tighten

The US Fed sees the downside risks to the economy diminishing. A moderation in the pace of QE, will commence 'later this year' (most likely September) and could be completed around mid-2014. However, the Fed Chairman Bernanke made it clear that this timetable remains highly data dependent. At the press conference, Bernanke reassured markets that the Fed would be there with its QE if the recovery should slip again. Bernanke also stated that an end to QE did not imply an increase in the Fed Funds target rate. 14 of the 19 FOMC members expect that the Fed Funds target rate will remain near zero until well into 2015. Vice-Chair Yellen remains the favoured candidate to replace Bernanke when his term expires in January 2014.

### ■ Flash HSBC China PMI hits 9-month low

China's flash HSBC PMI for June dropped to a 9-month low, pointing to continuing weakness in local and external demand, and prompting analysts to wonder whether Beijing will step in to support the economy. The data published by HSBC and Markit Group came in at 48.3, under the 50-point mark for the second straight month and below analysts' expectations. It raised doubts whether the world's second largest economy will miss its full-year growth target of 7.5%. All sub-indexes declined last month, and now stands below 50.

### ■ Sales of existing US homes rise more than forecast

Existing home sales rose 4.2% for May from the previous month at an annual rate of 5.18 million homes sold, the highest level since November of 2009, when the first time home buyer tax credit was expiring. The sales are 12.9% higher than reported a year ago with the median price of homes sold increasing 15.4% to US\$208,000; the highest price since July 2008. Economists were expecting an increase of 0.6% to 5.0 million as April's report was unrevised at 4.97 million sold. Buyers are locking in mortgages as interest rates start to rise.

### ■ EU agrees on ESM bailout rules

Euro finance ministers have agreed on broad guidelines on how to use the bloc's permanent €500 billion bailout fund (ESM) to rescue banks from failure and stabilise the bloc's financial system. However, the ESM's firepower to recapitalise banks will be limited to €60 billion to maintain its top notch credit rating, which it needs to raise money on the international bond markets. Also, funding from the ESM would only be made available once the bank's creditors had been tapped fully and the lender's government can no longer afford to prop it up.

## Market Snapshot

	Last (Jun 21)	1-week return	Year-to-date return
Dow Jones Industrial Average	14,799.40	-1.80%	12.94%
S&P 500 Index	1,592.43	-2.11%	11.66%
FTSE 100 Index	6,116.17	-3.05%	3.70%
Euro Stoxx 50	2,549.48	-4.42%	-3.28%
Nikkei 225	13,230.13	4.28%	27.27%
Hang Seng Index	20,263.31	-3.37%	-10.56%
Shanghai SE Composite	2,073.10	-4.11%	-8.64%
BSE Sensex Index	18,774.24	-2.10%	-3.36%
Straits Times Index	3,124.45	-1.17%	-1.35%

Source: Bloomberg

## Week Ahead

Economic Calendar (Selected Events)				
Mon, Jun 24	Tue, Jun 25	Wed, Jun 26	Thu, Jun 27	Fri, Jun 28
Dallas Fed Mfg Survey	<i>Durable Goods Orders</i>	<i>GDP</i>	<i>Jobless Claims</i>	Chicago PMI
	S&P Case-Shiller HPI	EIA Petroleum Status Report	<i>Personal Income and Outlays</i>	Consumer Sentiment
	<i>New Home Sales</i>		Pending Home Sales Index	
	Consumer Confidence			

Red: Market moving indicator

Black: Merits extra attention

Source: Bloomberg



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