

Headlines

- [Greece picks Eurobank to buy Postbank ahead of mid-July deadline](#). *Reuters.com, 13 Jul 2013*
- [China to adjust liquidity, keep credit growth steady: central bank](#). *Reuters.com, 14 Jul 2013*
- [UK to grow 1.1% on consumer-spending growth: EY Item Club](#). *Bloomberg.com, 14 Jul 2013*
- [Retail sales probably climbed in June: US Economy Preview](#). *Bloomberg.com, 14 Jul 2013*

Weekly Review (for week ending 12 July 2013)

■ Recession top risk in Europe: ECB chief

ECB president Mario Draghi testified to the European Parliament in his role as chairman of the European Systemic Risk Board that the main systemic risk is recession. The economy in the 17-member euro area has shrunk for six straight quarters and unemployment has risen to record levels. "The prolonged recession is weakening the banking system, it is increasing the risk premia, it is reducing the creditworthiness of counterparties", Draghi said, adding that debt-troubled countries need to continue getting their finances in order.

■ Greece secures €6.8 billion bailout tranche

The Eurogroup ministers, holding their last meeting before the summer break which was also attended by IMF chief Christine Lagarde, agreed to pay out €6.8 billion in fresh aid to Greece on condition it press ahead with urgently needed reforms. Greece will get €2.5 billion this month and €0.5 billion in October, as long as Prime Minister Antonis Samaras's tottering coalition delivers on economic reforms and cuts to spending. Greece can also count on recouping €2 billion in central bank profits on Greek bonds and on €1.8 billion from the IMF.

■ Australia business conditions collapse in June to 4-year low, retail activity worst hit at 16-year low

NAB's monthly business survey shows business conditions slipped 4 points to -8 in June, which is well below the long-term average of 5 and the lowest level since May 2009. Conditions were the worst for retailers (-28), manufacturers (-27) and miners (-28). Retail activity dropped to its weakest level in the history of the monthly survey (since 1997). The areas that did better are business services, property and finance. NAB is expecting the RBA will cut rates next month to boost the non-mining sectors of the economy that are struggling.

■ China inflation picks up to 2.7%, limits room for policy easing

China's annual consumer inflation accelerated more than expected in June but factory-gate deflation persisted for a 16th month, underscoring the policy dilemma facing the PBoC as it worries about long-term price risks even as economic growth slows. The National Bureau of Statistics said that annual consumer inflation quickened to 2.7% in June from May's 2.1%, partly because of the base effect. The headline inflation number is still below the government's target of 3.5% and also below the benchmark one-year deposit rate of 3%.

■ IMF trims global growth forecast

The IMF trimmed its global growth forecast for the fifth time since early last year due to a slowdown in emerging economies and the woes in recession-struck Europe. It also warned global growth could slow further if the pull-back from massive QE in the US triggers reversals in capital flows and crimps growth in developing countries. The IMF cut its 2013 forecast for global growth to 3.1%, as fast as the economy expanded last year, from its 3.3% projection in April. It also lowered its forecast for 2014 to 3.8% after earlier predicting a 4% expansion.

■ Alarm as China trade surplus falls from year earlier

China's trade surplus fell 14% in June from a year ago, as imports and exports both dropped unexpectedly, suggesting a further slowdown on the back of global weakness. The figures are the latest to set alarm bells ringing over the health of China's rebound from a prolonged downtrend, as trade and manufacturing conditions worsened this year. Exports slipped 3.1% to US\$174.32 billion, according to latest data, while imports were down 0.7% at US\$147.19 billion, leaving a trade surplus of US\$27.13 billion, slightly up from US\$20.43 billion in May.

■ Bernanke backs stimulus for foreseeable future amid QE debate

Fed Chairman Ben Bernanke backed sustained stimulus for the foreseeable future even as the minutes of policy makers' June meeting showed them debating whether to halt bond buying by the Fed this year. "**Highly accommodative monetary policy for the foreseeable future is what's needed in the US economy**," Bernanke said in response to a question after a speech three hours after the central bank released minutes of the June 18-19 gathering showing that about half of the 19 participants in the FOMC wanted to halt US\$85 billion in monthly bond purchases by year end. Bernanke stated that the FOMC may opt to hold interest rates near zero even after unemployment reaches 6.5% due to the possibility of low inflation. Also, the jobless rate may understate the weakness in the labour market.

■ Fitch downgrades France to 'AA+' from top credit rating

Fitch was the last of the big 3 credit raters to knock France off the top rating citing a heavier government debt ratio that was "significantly higher" than the AAA median of 49% and poor prospects for growth with GDP contracting 0.3% in 2013 and slight growth of 0.7% in 2014.

■ Consumer sentiment in US unexpectedly declined in July

Consumer confidence unexpectedly cooled in July as Americans became less optimistic about the outlook for the economy. The Thomson Reuters/Michigan preliminary index of consumer sentiment dropped to 83.9 in July from 84.1 versus a forecast for 84.7 after reaching a 6-year high of 84.5 in May. The recent increases in mortgage rates and fuel prices have restrained consumers' views on the economy in the next 6 months. The gauge of current conditions jumped to a 6-year high as stock prices hit a record after falling in the middle of June.

Market Snapshot

Selected Equity Indices	Last (Jul 12)	1-week return	Year-to-date return
Dow Jones Industrial Average	15,464.30	2.17%	18.01%
S&P 500 Index	1,680.19	2.96%	17.81%
FTSE 100 Index	6,544.94	2.66%	10.97%
Euro Stoxx 50	2,674.87	3.04%	1.48%
Nikkei 225	14,506.25	1.37%	39.55%
Hang Seng Index	21,277.28	2.03%	-6.09%
Shanghai SE Composite	2,039.49	1.61%	-10.12%
BSE Sensex Index	19,958.47	2.37%	2.74%
Straits Times Index	3,236.06	2.09%	2.18%

Source: Bloomberg

Week Ahead

Economic Calendar (Selected Events)				
Mon, Jul 15	Tue, Jul 16	Wed, Jul 17	Thu, Jul 18	Fri, Jul 19
<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>Philadelphia Fed Survey</i>	
Business Inventories	<i>Industrial Production</i>	Beige Book		
	Housing Market Index			

Red: Market moving indicator

Black: Merits extra attention

Source: Bloomberg



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