

Headlines

- [Italian economy minister calls end to recession this year: press](#). *Reuters.com, 28 Jul 2013*
- [Japan's PM may rethink tax hike; could shake markets, unsettle support](#). *Reuters.com, 28 Jul 2013*
- [UK's Vince Cable sees risk "Help-to-Buy" could inflate housing](#). *Bloomberg.com, 28 Jul 2013*
- [Growing payrolls probably cut unemployment: US Economy Preview](#). *Bloomberg.com, 28 Jul 2013*

Weekly Review (for week ending 26 July 2013)

■ Japanese prime minister wins landslide election victory

Japanese Prime Minister Shinzo Abe's ruling bloc wins a decisive victory in an upper house election last Sunday. The vote will cement his grip on power and setting the stage for Japan's first stable government since 2006. "We received overwhelming support from the people for our policies of improving the economy and solid and stable politics. We are going to continue going forward with our brand of politics". Voters gave the Prime Minister's Liberal Democratic Party a stronger mandate for his "Abenomics" recipe to revive Japan's economy.

■ US existing home sales unexpectedly slip in June

Sales of previously owned US homes unexpectedly slipped in June amid rising interest rates but prices continued to rocket higher, a real estate report released on Monday showed. The National Association of Realtors said home sales fell 1.2% to an annual rate of 5.08 million in June, from a downwardly revised 5.15 million in May. The average analyst estimate was for a rise to a 5.28 million pace in June. Still, June sales were up a robust 15.2% from a year ago as the housing market gains traction six years after the collapse of a price bubble.

■ Singapore's headline inflation rises 1.8% on-year in June

Singapore's headline inflation edged up for the second straight month to 1.8% y/y in June, on the back of rising petrol pump prices, up from 1.6% in May, after reaching a three-year low of 1.5% in April. Core inflation, which excludes the costs of accommodation and private road transport, stayed at 1.7% in June. A pickup in services inflation was offset by lower prices in retail-related items like clothing and footwear. MAS said core inflation is expected to rise slightly in the second half of the year due to labour tightness, averaging 1.5%-2.5% in 2013. Car prices are significantly lower following the introduction of the various motor vehicle-related policy measures, although they have picked up recently. As a result, MAS said it has revised its headline inflation forecast for the year down to 2%-3%, from 3%-4% previously.

■ India imposes new gold import curbs to ease deficit

India, the world's biggest gold-buying nation, has slapped fresh curbs on imports of the precious metal in a bid to curb a record current account deficit. The RBI announced that at least 20% of every shipment of gold imported must be set aside for jewellery and other sales overseas. Gold and oil imports are the biggest contributors to India's current account deficit that hit a record 4.8% of GDP in the financial year ending March. RBI's move comes after India twice hiked the import duty on bullion earlier this year to discourage gold buying.

■ China's PM Li says 7% "bottom line" for growth

Li told economic experts earlier this month that "the bottom line for economic growth is 7%, and this bottom line must not be crossed" and the target was necessary to ensure China achieved its goal of doubling its GDP between 2010 and 2020. The economy expanded 7.5% year-on-year in Q2, slowing from 7.7% in Q1 and 7.9% in Q4 of 2012. The government has set a full-year growth target of 7.5% for 2013.

■ China July Flash HSBC PMI falls to 11-month low

The flash HSBC/Markit PMI fell to 47.7 this month from June's final reading of 48.2, marking a third straight month below 50. It was the weakest level since August 2012. The new orders sub-index fell to its lowest level in 11 months, and stayed below 50 for a third straight month. Output declined to 10-month low and remained in contraction for a second month.

■ PMI data shows Eurozone and US bounce back

The jump in Markit's flash Eurozone Composite PMI to 50.4, which marked the first expansion since January, 2012, should hearten ECB policymakers who have promised to do whatever it takes to pull the 17-country eurozone out of the longest recession in the bloc's history. Markit's flash US Manufacturing PMI rose to 53.2, a four-month high, while output also was at its strongest since March. Increased workloads also encouraged firms to take on workers again after reducing payrolls in June, though the pace of hiring remained sluggish.

■ Singapore manufacturing contracts 5.9% in June on surprise pharmaceutical fall

Singapore's June Industrial Production (IP) contracted 5.9% y/y, worse than consensus estimates of a 3.5% contraction. Excluding biomedical manufacturing, IP declined by a more benign 0.5%. The electronics manufacturing segment (+2.6%/y/y) saw the 3rd consecutive month of growth, which reversed the 24 months of consecutive contraction earlier. The optimism in expectations of a cyclical recovery is in line with the improving trend in the US Semiconductor Book-to-Bill ratio since reaching a recent low in October 2012.

■ US consumer sentiment jumps to highest level in 6 years in July

US consumer sentiment rose in July to the highest level since July 2007 as Americans felt better about the current economic climate, though they expected to see a slower rate of growth in the year ahead. The Thomson Reuters/University of Michigan's final reading on the overall index on consumer sentiment climbed to 85.1 from 84.1 in June, topping expectations for 84 and was also an improvement from July's initial reading of 83.9. This high level of confidence points toward a continued expansion of consumer spending in the year ahead,

Market Snapshot

| Selected Equity Indices | Last (Jul 26) | 1-week return | Year-to-date return |
|------------------------------|---------------|---------------|---------------------|
| Dow Jones Industrial Average | 15,558.83 | 0.10% | 18.73% |
| S&P 500 Index | 1,691.65 | -0.03% | 18.61% |
| FTSE 100 Index | 6,554.79 | -1.14% | 11.14% |
| Euro Stoxx 50 | 2,741.96 | 0.95% | 4.02% |
| Nikkei 225 | 14,129.98 | -3.15% | 35.93% |
| Hang Seng Index | 21,968.95 | 2.84% | -3.04% |
| Shanghai SE Composite | 2,010.85 | 0.91% | -11.38% |
| BSE Sensex Index | 19,748.19 | -1.99% | 1.65% |
| Straits Times Index | 3,236.10 | 0.71% | 2.18% |

Source: Bloomberg

Week Ahead

| Economic Calendar (Selected Events) | | | | |
|-------------------------------------|----------------------|-----------------------|-------------------------|------------------------------------|
| Mon, Jul 29 | Tue, Jul 30 | Wed, Jul 31 | Thu, Aug 1 | Fri, Aug 2 |
| Pending Home Sales Index | S&P Case-Shiller HPI | ADP Employment Report | Motor Vehicle Sales | <i>Employment Situation</i> |
| Dallas Fed Mfg Survey | Consumer Confidence | <i>GDP</i> | <i>Jobless Claims</i> | <i>Personal Income and Outlays</i> |
| | | Employment Cost Index | PMI Manufacturing Index | Factory Orders |
| | | Chicago PMI | <i>ISM Mfg Index</i> | |
| | | | Construction Spending | |

Red: Market moving indicator

Black: Merits extra attention

Source: Bloomberg



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