

Headlines

- [EU leaders signal shift from austerity of euro crisis](#). *Reuters.com*, 27 June 2014
- [Jobs, cars seen cementing U.S. spring rebound](#). *Reuters.com*, 29 June 2014
- [ECB rates allow zombie loans to stymie credit, BIS says](#). *Bloomberg.com*, 29 June 2014
- [Central Banks face bumpy road to normalization, BIS says](#). *Bloomberg.com*, 29 June 2014

Weekly Review (for week ending 27 June 2014)

■ Singapore's inflation hits 2.7% in May

Singapore's CPI rose 2.7% in May from a year ago, the highest since March 2013. Inflation last month picked up pace from April, when the CPI rose 2.5% on-year following a rise of 1.2% in March. The MAS attributed the rise to base effects associated with the fluctuations in COE premiums. Compared with a month ago, consumer prices rose 0.5% m/m. MAS Core Inflation, which excludes the cost of accommodation and private road transport, fell to 2.2% in May from 2.3% in April, due to lower contributions from services and food items. Prices of retail items like clothing and footwear declined in May. This can be attributed to the start of the Great Singapore Sale.

■ HSBC flash PMI shows China manufacturing grows for first time in six months

China's manufacturing activity expanded in June for the first time this year as the effects of Beijing's mini-stimulus on the world's second-largest economy gradually kick in. The HSBC flash manufacturing PMI, which tracks activity in China's factories and workshops, came in at 50.8 this month, the highest since November's identical figure. It was also the first time since December that the index has been above the 50-point break-even level. The employment sub-index, which has been indicating decreases, showed "signs of stabilisation", and the government is expected to maintain its "accommodative policy stance" until the recovery is sustained. Broad-based improvement was reported in domestic orders and external demand as the pro-growth measures in the fiscal and monetary space worked through.

■ US existing home sales surge in May

Sales of existing homes, the bulk of the US housing market, surged higher in May at the strongest pace of sales since October 2013 as price growth eased. The National Association of Realtors said total existing home sales rose 4.9% to an annual rate of 4.89 million units in May, from April's 4.66 million unit pace. Sales of existing homes have rebounded for two straight months from the first-quarter slump, in part blamed on bad winter weather in large areas of the country. May's sales of single-family homes, town-homes, condos and co-ops came in stronger than analysts' expectations of a pace of 4.80 million units. But they were 5.0% below the year-ago rate.

■ US new home sales rocket to 6-year high

Sales of new homes in the US in May hit their highest pace since the market crashed six years ago, as the industry pulls out of the winter lull. Sales picked up to an annual pace of 504,000 units, compared to a 425,000-unit pace in April, and were nearly 17% higher than a year ago, the Commerce Department said on Tuesday. The median price of new homes sold rose as well, hitting US\$282,000, compared to US\$263,700 in May 2013. But the stock of homes on the market tightened, with a 4.5-month supply, compared to 5.3 months in April.

■ US GDP shrinks 2.9% in Q1, worst performance in 5 years

The US economy suffered its worst performance for five years in Q1 of 2014. The third estimate showed the economy shrank at an annualised rate of 2.9% in Q1, worse than the previous estimate of a 1% contraction, and also worse than economists' expectations. However, the economy is expected to have recorded a sharp recovery during Q2. Consumer spending - which is responsible for more than two-thirds of US economic growth - increased by 1% in the quarter, rather than the 3.1% rate as first estimated. Trade was also a bigger drag on the economy than previously thought, with exports falling by 8.9% rather than a previously estimated 6%.

■ Bank of England imposes first limits on size of UK mortgages

The BoE imposed its first limits on how much most people can borrow to buy a home on Thursday, in a bid to stem increasing levels of debt and rapidly rising house prices. The BoE's Financial Policy Committee said that from October, it would only allow 15% of new mortgages to be at multiples higher than 4.5 times a borrower's income, and that all lending would be subject to extra affordability checks. BoE Governor Mark Carney stressed that it was debt levels not price rises that were the main target of the measures imposed by the BoE's watchdog on financial stability. "We don't target house prices. The question is indebtedness."

■ Singapore manufacturing faltered in May due to biomedical & electronics weakness

For the first time since June 2013, Singapore's Industrial Production slipped into contraction and registered a 2.5% y/y decline in May, due mainly to weakness in the electronics and biomedical segments. Electronics manufacturing continued a second month of contraction (-7.5% y/y) in May, and reversing the positive growth trend since May 2013, as semiconductor output fell 6.4% y/y, a second month of decline. The biomedical manufacturing cluster contracted 9.2% y/y, reversing past four months of expansion that averaged 17% y/y.

■ Consumer sentiment in US rose in June from month earlier

Consumer sentiment improved in June as higher stock prices and an improving labour market helped bolster Americans' views of the economy. The Thomson Reuters/University of Michigan's final sentiment index climbed to 82.5 from 81.9 in May. Economists had projected an increase to 82 after a preliminary June reading of 81.2. The Michigan sentiment survey's index of current conditions, which measures Americans' views of their personal finances, increased to 96.6 this month from 94.5 in May. The preliminary reading was 95.4.

Market Snapshot

Selected Equity Indices	Last (Jun 27)	1-week return	Year-to-date return
Dow Jones Industrial Average	16,851.84	-0.56%	1.66%
S&P 500 Index	1,960.96	-0.10%	6.09%
FTSE 100 Index	6,757.77	-0.99%	0.13%
Euro Stoxx 50	3,227.85	-2.26%	3.82%
Nikkei 225	15,095.00	-1.66%	-7.34%
Hang Seng Index	23,221.52	0.12%	-0.36%
Shanghai SE Composite	2,036.51	0.49%	-3.76%
BSE Sensex Index	25,099.92	-0.02%	18.56%
Straits Times Index	3,271.05	0.38%	3.27%

Source: Bloomberg

Week Ahead

Economic Calendar (Selected Events)				
Mon, Jun 30	Tue, Jul 1	Wed, Jul 2	Thu, Jul 3	Fri, Jul 4
Chicago PMI	PMI Manufacturing Index	ADP Employment Report	<i>Employment Situation</i>	US Holiday: Independence Day
Pending Home Sales Index	<i>ISM Mfg Index</i>	Factory Orders	<i>International Trade</i>	
Dallas Fed Mfg Survey	Construction Spending	EIA Petroleum Status Report	<i>Jobless Claims</i>	
			ISM Non-Mfg 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.