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

Monday, 07 July 2014

Weekly Update

Headlines

- IMF: global recovery to accelerate in 2015, no brutal slowdown in China. *Reuters.com, 06 July 2014*
- ECB's Coeure: rates to stay low, Europe needs more investment. *Reuters.com, 06 July 2014*
- ECB's Noyer warns Euro area against giving up on deficit cutting. *Bloomberg.com, 05 July 2014*
- Lagarde signals cut in global growth forecast as investment lags. *Bloomberg.com, 06 July 2014*

Weekly Review (for week ending 04July 2014)

Eurozone unemployment rate stays unchanged at 11.6% in May

The number of unemployed people in the 18 eurozone countries declined fractionally in May, not enough to bring down the jobless rate, which remained at 11.6% compared with a month earlier. Eurostat said the overall number of unemployed workers decreased by 28,000 from the previous month to 18.6 million. The report continues a trend of very slight improvement in the number of unemployed this year as Europe's economy shows signs of recovering only slowly. Divergence remains strong between the countries of northern and southern Europe: German unemployment was 5.1%, while Italy's was 12.6% and Spain's was 25.1%.

US June factory growth keeps to steady pace

Growth at US factories in June held near the fastest pace of the year, a sign that manufacturing helped boost the economy in the second quarter. The ISM's factory index was 55.3 after a 5-month high of 55.4 in May. A measure of orders was the strongest this year. Growing demand for automobiles and construction materials has kept assembly lines busy, while companies become confident about expanding. Along with sustained consumer spending, lean inventories and improving overseas markets are helping to fill order books at factories.

Singapore factory expansion eases in June; but electronics offers hope

Growth among factories in Singapore continued to cool last month amid weaker production output and order volume, but with the electronics sector showing some signs of recovery, economists are painting a more optimistic picture for the manufacturing sector in the second half of the year. The PMI eased for a second consecutive month to 50.5 in June from 50.8 in May, data from SIPMM showed. In comparison, much of Asia recorded solid increases in activity last month. But the PMI for the electronics sector bucked the trend with a reading of 50.7 in June, up from 50.4 in May, with new export orders improving for a second straight month to 51.9. That is important because a lot of our electronics output goes to assembly lines in China where its PMI has improved to the expansionary zone for the first time since January to 50.7 in June. UOB forecast full-year industrial production to grow 3.5% on-year, doubling 2013's 1.7% growth.

US private sector added 281,000 jobs in June; most since 2012

Employment at companies climbed in June by the most since November 2012, a sign the US job market is strengthening along with demand, a private payrolls report by ADP showed. The 281,000 surge exceeded the most optimistic forecast in a Bloomberg survey and followed a 179,000 increase in May. Businesses are taking on more workers and limiting dismissals, bolstering economists' projections that the economy will strengthen after a first-quarter contraction. Job gains were broad-based across all industries and company sizes.

China services sector booms in June, suggest economy steadying

Activity in China's services sector expanded at its fastest pace in 15 months in June, reinforcing signs that the broader economy is stabilising. The HSBC services PMI rebounded to 53.1 in June from 50.7 in May. The services sector, which accounted for 45% of China's GDP in 2012 and roughly half of all jobs in the country, is expected to post steady growth in coming years as the economy matures The survey showed firms in the services sector were generally optimistic about the 12-month business outlook. A sub-index gauging their sentiment picked up slightly in June from May's 11-month low, though the reading remained weak in the context of historical data.

ECB maintains policy; cuts down on meetings

The ECB kept interest rates unchanged with the main refinancing rate at a record low of 0.15%. The deposit rate stayed at -0.1% and the marginal lending rate at 0.4%. At his regular post-decision press conference, President Draghi also gave further details on the specific modalities for the targeted longer-term refinancing operations (TLTROs). To avoid a repeat of what happened under the previous LTRO programs when banks used large chunks of the loans to buy their own government's debt, Draghi emphasized that banks tapping the cheap loans must use them to lend or else be forced to pay the money back, participating in the scheme either individually or as a group.

Shares at new highs on US jobs growth; unemployment rate fell to 6.1%

Nonfarm payrolls increased by 288,000 jobs in June and the unemployment rate fell to 6.1%. US employment has grown at more than 200,000 jobs in each of the last five months, the first such string of growth since the late 1990s. The dollar rose and global equity markets advanced on Thursday, with stocks setting record highs on a surge in US jobs growth that provided a clear sign the economic growth is faster than expected, perhaps as much as 4% in the second quarter.

US seen as biggest oil producer after overtaking Saudi Arabia

The US will remain the world's biggest oil producer this year after overtaking Saudi Arabia and Russia as extraction of energy from shale rock spurs the nation's economic recovery. US production of crude oil, along with liquids separated from natural gas, surpassed all other countries this year with daily output exceeding 11 million barrels in Q1. The US, the world's largest oil consumer, still imported an average of 7.5 million barrels a day of crude in April, said the Department of Energy. The shale boom is playing a key role in the US recovery.

Market Snapshot

Selected Equity Indices	Last (Jul 4)	1-week return	Year-to-date return
Dow Jones Industrial Average	17,068.26	1.28%	2.97%
S&P 500 Index	1,985.44	1.25%	7.42%
FTSE 100 Index	6,866.05	1.60%	1.73%
Euro Stoxx 50	3,270.47	1.32%	5.19%
Nikkei 225	15,437.13	2.27%	-5.24%
Hang Seng Index	23,546.36	1.40%	1.03%
Shanghai SE Composite	2,059.37	1.12%	-2.68%
BSE Sensex Index	25,962.06	3.43%	22.63%
Straits Times Index	3,272.25	0.04%	3.31%

Source: Bloomberg

Week Ahead

Economic Calendar (Selected Events)

Mon, Jul 7	Tue, Jul 8	Wed, Jul 9	Thu, Jul 10	Fri, Jul 11
		EIA Petroleum Status Report *FOMC Minutes*	*Jobless Claims*	Treasury Budget

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