

Headlines

- [German finmin sees quick economic recovery after weak second quarter: Spiegel](#). Reuters.com, 24 August 2014
- [Europe fears deflation as Ukraine stays centre-stage](#). Reuters.com, 24 August 2014
- [BoE's Broadbent says path of rates to be 'materially different'](#). Bloomberg.com, 24 August 2014
- [Kuroda says using foreigners to fill job gaps worth considering](#). Bloomberg.com, 24 August 2014

Weekly Review (for week ending 22 August 2014)

■ Eurozone exports hit by Russian crisis

Economic crisis in Russia and sluggish demand from Turkey weighed on hopes for an export-led recovery in the eurozone in June. Exports from the eurozone dipped by 0.5% in June compared with May to €162.2 billion. Eurozone exports were dragged down by a 14% slump in demand from sanction-hit Russia and an 8% drop from Turkey, which is suffering an economic slowdown. With imports up a slight 0.5%, this meant countries in the eurozone posted a marginally higher €16.8 billion trade surplus in June, up from €15.4 billion in May. There are fears the crisis in Ukraine will weigh on growth and could further derail the eurozone's fragile recovery from the debt crisis.

■ US housing starts jump 15.7% in July

US housing starts surged to an eight-month high in July, suggesting the nation's housing market recovery was back on track after stalling in the second half of last year. Ground-breaking for new housing jumped 15.7% last month to a seasonally adjusted 1.09-million unit annual pace, the highest level since November. The gain snapped two straight months of declines and beat economists' expectations for a rise to only a 969,000-unit rate. It was the latest sign the market was regaining its footing after being slammed by a run-up in interest rates last year. A shortage of properties for sale has also lifted prices, pushing housing out of the reach of many first-time buyers.

■ US consumer prices rose 0.1% in July; higher food costs offset by lower energy prices

US consumer prices barely rose in July as declining energy costs partially offset increases in food and rents, giving the Fed ammunition to keep interest rates low for a while. CPI edged up 0.1% after increasing 0.3% in June. In the year through July, CPI rose 2.0% after rising 2.1% in June. Energy prices fell broadly after rising in the last three months. Gasoline prices fell 0.3% after surging 3.3% in June. Food prices increased 0.4% after rising 0.1% in June. A drought in California drove up food prices. Stripping out food and energy prices, core CPI ticked up 0.1% after a similar gain in June. In the year through July, core CPI increased 1.9% after rising by the same margin in June.

■ RBA confirms no imminent rate rise, Q2 growth weaker

RBA governor Glenn Stevens told a parliamentary committee that it has not "thought about raising rates anytime lately". The Australian economy grew by 3.5% in the 12 months to March, much better than the market forecast of 3.1%. Stevens said there will be some payback in the June quarter after such a strong performance earlier. In its forecasts issued earlier this month the RBA lowered its growth forecasts for the year to June by 0.25% to between 2%-3%. The ABS releases June quarter national accounts on September 3.

■ Japan exports up 3.9% as overseas demand picks up

Japan's exports rose in July for the first time in 3 months in a tentative sign that overseas demand is starting to recover, which could raise hopes that exports can offset a slump in consumer spending and the economy may rebound from a sales tax hike in April. July's 3.9% annual rise followed a revised 1.9% decline in the year to June. Exports to Asia, which account for more 50% of Japan's total exports, rose 3.4% in July as automobile shipments grew. Exports to China, another important market for Japan, were up 2.6% in July due to gains in shipments of metal processing equipment and car parts. Exports to the US rose an annual 2.1% as Japan shipped more car parts.

■ July US FOMC minutes sends a hawkish undertone on timing of rate hikes

Minutes from the FOMC showed the Fed was gradually shifting its stance in a more hawkish direction. FOMC members saw labour-market progress and increases in inflation accelerating in a manner that was bringing conditions closer to normal. There were also extensive talks on the Fed's exit strategy where participants expressed general support for normalization. There were clear disagreements regarding how much slack remained in the labour market, a key gauge along with consumer prices that the Fed uses to assess the state of the economy.

■ China August HSBC flash manufacturing PMI slips to 3-month low

Growth in China's vast factory sector slowed to a three-month low in August as output and new orders moderated, reinforcing concerns about increasing softness in the economy. The HSBC/Markit Flash China Manufacturing PMI fell to 50.3 from July's 18-month high of 51.7, missing a forecast of 51.5. It was the lowest reading since May, though the PMI stayed above the 50-point. A sub-index measuring new orders, a gauge of demand at home and abroad, fell to a three-month low of 51.3. The sub-index for output also dropped to a three-month low in August. Employment fell at a faster pace than in July, indicating more layoffs in the manufacturing sector.

■ Yellen cautious on US jobs market; Draghi confident ECB measures will boost economy

"The labour market has yet to fully recover", Janet Yellen said in a speech at the Fed's annual conference in Jackson Hole. While the five-year expansion has put more Americans back to work, "a key challenge is to assess just how far the economy now stands from attainment of its maximum employment goal". In contrast, Draghi made no mention of quantitative easing in his speech, instead highlighting steps the ECB is already taking to bolster the economy. He said that while he is "confident" that the package of measures will work, "we stand ready to adjust our policy stance further". He also warned that there is a "real risk" that monetary policy loses some effectiveness.

Market Snapshot

Selected Equity Indices	Last (Aug 22)	1-week return	Year-to-date return
Dow Jones Industrial Average	17,001.22	2.03%	2.56%
S&P 500 Index	1,988.40	1.71%	7.58%
FTSE 100 Index	6,775.25	1.29%	0.39%
Euro Stoxx 50	3,098.50	2.14%	-0.34%
Nikkei 225	15,539.19	1.44%	-4.62%
Hang Seng Index	25,112.23	0.63%	7.75%
Shanghai SE Composite	2,240.81	0.63%	5.90%
BSE Sensex Index	26,419.55	1.21%	24.79%
Straits Times Index	3,325.50	0.32%	4.99%

Source: Bloomberg

Week Ahead

Economic Calendar (Selected Events)				
Mon, Aug 25	Tue, Aug 26	Wed, Aug 27	Thu, Aug 28	Fri, Aug 29
<i>New Home Sales</i>	<i>Durable Goods Orders</i>	EIA Petroleum Status Report	<i>GDP</i>	<i>Personal Income and Outlays</i>
Dallas Fed Mfg Survey	S&P Case-Shiller HPI		<i>Jobless Claims</i>	Chicago PMI
	Consumer Confidence		Pending Home Sales Index	Consumer Sentiment

Red: Market moving indicator

Black: Merits extra attention

Source: Bloomberg



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