

Headlines

- [Worried EU leaders call jobs, growth summit for October 7](#). Reuters.com, 30 August 2014
- [Investors' eyes pinned on ECB as Europe's health deteriorates](#). Reuters.com, 31 August 2014
- [Coeure says ECB is ready to adjust policy direction](#). Bloomberg.com, 30 August 2014
- [China eases rules on bond sales by local governments](#). Bloomberg.com, 31 August 2014

Weekly Review (for week ending 29 August 2014)

■ Surprise drop in Singapore July CPI, but core inflation still high

Singapore's July consumer price inflation eased further to a 4-month low of 1.2%/y/y, below consensus forecast and June's 1.8%/y/y. Similar to previous month, private road transport cost was the main reason for the modest July headline inflation outcome. In comparison, core inflation (excluding housing and private road transport) edged higher to register 2.2% in July, compared to 2.1%/y/y a month ago. We believe that the MAS will be keeping a hawkish eye on the higher core inflationary pressures and hold our view that the MAS would keep their current "modest and gradual appreciation" SGD NEER policy unchanged in their upcoming October 2014 monetary policy meeting.

■ Sales of new US homes in July unexpectedly fall to 4-month low

US new-home sales fell in July back to their April level, pushing inventory on the market to the largest supply in nearly 3 years. Sales slowed to an annual rate of 412,000 (-2.4% m/m), following a revised 422,000 pace in June, below expectations for a 425,000 result. Decreases were seen in 3 of 4 measured regions, highlighted by declines in the Northeast (-30.8%), Midwest (-8.8%) and West (-15.2%), partially offset by gains seen in the South (+8.1%). Inventory rose to 205,000 homes – its highest level since October 2011 – representing a supply of 6.0 months at the current sales pace, up from 5.6 in June. Compared with a year ago, July sales were up 12.3%.

■ US durable goods orders up 22.6% in July, a new monthly record

A large jump in aircraft orders sent US orders for durable goods rocketing 22.6% in July to a new monthly record. Civilian aircraft orders led by aircraft manufacturer Boeing's order book quadrupled from June to US\$70 billion, driving up the overall total of durable goods orders to US\$300.1 billion, by far the best month ever. Excluding the transport sector, durable goods orders fell 0.8% in the month, dragged down by a slowdown in orders for electrical equipment, appliances, and components, and by defence industry goods.

■ US Q2 GDP growth revised up to 4.2%

The US economy expanded even more rapidly than previously estimated in Q2, the Commerce Department said Thursday. GDP grew at a 4.2% annual rate, better than the surprisingly strong 4% pace initially believed. Economists expected a revision to 3.9%. In Q1, the economy shrank 2.1% - its worst performance in five years - largely because of temporary factors, such as extreme winter weather. The higher growth estimate for Q2 was due to stronger business investment of 8.4%, up from the 5.5% initially believed. Equipment spending - a measure of core capital spending - increased 10.7%. The report also showed corporate profits climbed by the most in almost four years.

■ US jobless claims fall again, new claimants at levels last seen in early 2006

The number of new applications for US jobless benefits dropped again last week and remained near post recession lows, the latest sign of improvement for the labour market. Initial claims for unemployment benefits fell by 1,000 to a seasonally adjusted 298,000 in the week ended August 23. The 4-week moving average of claims, which smooths out weekly volatility, fell to 299,750. As of July, companies have created 200,000 or more jobs for six consecutive months, the longest stretch at that pace in more than a decade. The Labour Department will release payroll numbers for August next Friday. The unemployment rate has fallen rapidly over the last year and stood at 6.2% in July.

■ Japan's sharp drop in consumer spending puts Abenomics at risk

Household spending in Japan dropped sharply in July, heightening concerns that Prime Minister Shinzo Abe's decision to raise taxes by ¥8 trillion is taking a greater-than-expected toll on the economy. Consumer spending fell an inflation-adjusted 5.9% from a year earlier in July, following a record drop in the second quarter. Falling consumption is reverberating across the economy, leaving auto makers saddled with more unsold vehicles and crimping industrial production. On a brighter note, manufacturers surveyed by the government forecast rising industrial production in coming months, including a 3.5% increase in September, despite weak growth in July.

■ Eurozone inflation slips to 5-year low; ECB action eyed

Eurozone inflation continued to fall in August, boosting expectations that the ECB will try to bolster the region's economy by announcing further stimulus measures. Consumer prices rose by just 0.3% year-on-year in August, according to Eurostat, meeting expectations but marking a fresh five-year low. This is down from 0.4% in July, and is significantly below the ECB's target of just below 2%. The drop in August inflation was led by a 2.0% decline in the highly volatile prices of energy. Prices of food, alcohol and tobacco fell by 0.3% for a second month in a row in August. Core inflation, which strips out such volatile components, rose to 0.9% from 0.8%.

■ UK GfK consumer confidence gains strongly in August

GfK said its UK consumer confidence index increased to +1 in August from -2 in July, matching June's reading, which was the highest since March 2005. Respondents expressed positive views about the economy and their personal financial situation over the coming year. Confidence from consumers is yet another sign that the British economy is set to have a strong Q3, after higher expectations for household consumption led the British Chambers of Commerce to upgrade its GDP growth forecast for the year to 3.2% from 3.1%.

Market Snapshot

Selected Equity Indices	Last (Aug 29)	1-week return	Year-to-date return
Dow Jones Industrial Average	17,098.45	0.57%	3.15%
S&P 500 Index	2,003.37	0.75%	8.39%
FTSE 100 Index	6,819.75	0.66%	1.05%
Euro Stoxx 50	3,172.63	2.39%	2.05%
Nikkei 225	15,424.59	-0.74%	-5.32%
Hang Seng Index	24,742.06	-1.47%	6.16%
Shanghai SE Composite	2,217.20	-1.05%	4.78%
BSE Sensex Index	26,638.11	0.83%	25.83%
Straits Times Index	3,327.09	0.05%	5.04%

Source: Bloomberg

Week Ahead

Economic Calendar (Selected Events)				
Mon, Sep 1	Tue, Sep 2	Wed, Sep 3	Thu, Sep 4	Fri, Sep 5
US Holiday: Labour Day	PMI Manufacturing Index <i>ISM Mfg Index</i>	Motor Vehicle Sales ADP Employment Report Factory Orders Beige Book	<i>International Trade</i> <i>Jobless Claims</i> Productivity and Costs ISM Non-Mfg Index	<i>Employment Situation</i>

Red: Market moving indicator

Black: Merits extra attention

Source: Bloomberg



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