

Headlines

- [German economy minister: 2014 GDP growth could be less than forecast](#). Reuters.com, 28 September 2014
- [While ECB struggles, Fed sees recovery](#). Reuters.com, 28 September 2014
- [China industrial profits drop in August as slowdown deepens](#). Bloomberg.com, 27 September 2014
- [Pound climbs to two-year high versus euro after Carney comments](#). Bloomberg.com, 27 September 2014

Weekly Review (for week ending 26 September 2014)

■ US existing home sales slow in August

Sales of existing US homes slowed in August after four straight months of gains, the National Association of Realtors said. Existing-home sales fell 1.8% to an annual rate of 5.05 million units in August, down from a slightly downwardly revised 5.14 million in July, the year's fastest pace. Year-on-year sales were down 5.3%. The slowdown last month in the largest part of the US housing market was unexpected; the consensus forecast was for the pace of sales to increase to 5.2 million units. The median sales price in August for all types of existing homes was US\$219,800, up 4.8% from August 2013 and the 30th consecutive month of year-over-year price gains. Total inventory of homes for sale at the end of August fell 1.7% from end-July to 2.31 million units. That equals a 5.5 month supply at the current sales pace.

■ Eurozone flash PMI signals weak recovery as business activity dips again

Eurozone business activity in September expanded at the slowest pace seen so far this year, adding pressure on the ECB to provide more measures to stimulate the region. The composite output PMI fell to a nine-month low of 52.3 in September from 52.5 in August, preliminary data from Markit Economics showed Tuesday. The reading was expected to remain unchanged at 52.5. The average quarterly reading for the three months to September, at 52.9, was also the lowest so far this year. A gauge of new orders for the eurozone slipped to 51.2 this month, from 52.4 in August. An index of services growth slowed to 52.8 from 53.1 and manufacturing fell to 50.5 from 50.7.

■ China September factory activity edges up but employment shrinks to 5½ year low

Flash HSBC/Markit China Manufacturing PMI rose to 50.5 in September from 50.2 in August, better than market's expectation of 50.0. Output sub-index held steady at 51.8 in September, while new orders increased to 52.3 from 51.3, and new export orders rose to 53.9 from 51.9. However, the drop in the employment to 46.9 – lowest since February 2009 – from 47.4 in August reflects weakness in the labour market. Growth outlook for China is expected to remain subdued.

■ Singapore August inflation eased further to 0.9% y/y as transport costs fell again

Singapore's August consumer price inflation eased further to a 6-month low of 0.9% y/y, below forecast of 1.1% and July's 1.2% y/y. Core inflation (which excludes housing and private road transport) edged slightly lower to register 2.1% y/y in August, compared to 2.2% y/y in July. Like the previous month, the decline in private road transport cost (-2.9% y/y versus -1.7% y/y in July) was the main reason for the lower August inflation. This is the 2nd consecutive month of on-year decline as a correction in COE premiums coupled with lower petrol pump prices contributed to lower costs. Accommodation costs also declined by 0.2% y/y, from the flat growth a month ago, as the housing market continued to remain soft. UOB forecast for 2014 CPI-All Items inflation is 1.6%, near the lower bound of government's 1.5%–2.0% forecast range; while forecast for 2014 core inflation is 2.4%, also within the government's official forecast range of 2%–3%.

■ US August new home sales race to 6-year high

US new home sales soared 18% in August to their fastest pace in more than six years, an encouraging signal amid mixed housing market reports. The US August new home sales unexpectedly surged to an annual rate of 504,000 from an upwardly revised July rate of 427,000, the strongest increase in sales since May 2008. Compared to a year ago, new home sales surged 33%. The inventory of new houses for sale was at 203,000, representing a supply of 4.8 months at the current sales rate in August, tightening from a 5.6-month supply in July.

■ US durable goods orders fall 18.2% in August

New orders for durable goods - products such as refrigerators and cars that are designed to last at least three years - plunged 18.2% in August from July to a seasonally adjusted US\$245.43 billion. Economists were expecting a fall to 17.5% from July, when orders surged a revised 22.5% from June thanks to a spike in civilian aircraft orders. But excluding the volatile transportation category, orders rose 0.7% in August after falling 0.5% in July. Factory shipments, excluding transportation equipment, ticked up 0.1% in August after rising 1.9% in July.

■ Japan inflation slowing more than forecast, more risks facing BoJ

Japan's inflation slowed more than expected in August, highlighting the risks facing BoJ Governor Kuroda in his push for prices to rise 2%. August inflation came in at 3.3% from 3.4% in July, as expected. Core CPI inflation came in lower than expected at 3.1%y/y (from 3.3% in July and lower than the 3.2% forecast). Inflation is hurting consumption, which accounts for 60% of the economy. Households' spending fell after Abe increased a sales tax to 8%, with wages adjusted for inflation dropping 1.7% in July, the 13th straight monthly decline.

■ US Q2 GDP grew 4.6%, up from earlier estimates

The US economy grew at its fastest pace in 2½ years in Q2 with all sectors contributing to the jump in output in a bullish signal for the remainder of the year. GDP grew at a revised 4.6% annualized rate, up from a previous estimate of 4.2%. Commerce Department data showed Friday, following a 2.1% decline in Q1. Business spending on equipment was raised to an 11.2% pace from a previously reported 10.7% rate. Business investment increased at a 9.7% annualized rate, up from a previously estimated 8.4% pace.

Market Snapshot

Selected Equity Indices	Last (Sep 26)	1-week return	Year-to-date return
Dow Jones Industrial Average	17,113.15	-0.96%	3.24%
S&P 500 Index	1,982.85	-1.37%	7.28%
FTSE 100 Index	6,649.39	-2.76%	-1.48%
Euro Stoxx 50	3,222.55	-1.55%	3.65%
Nikkei 225	16,229.86	-0.56%	-0.38%
Hang Seng Index	23,678.41	-2.58%	1.60%
Shanghai SE Composite	2,347.72	0.78%	10.95%
BSE Sensex Index	26,626.32	-1.71%	25.77%
Straits Times Index	3,292.21	-0.39%	3.94%

Source: Bloomberg

Week Ahead

Economic Calendar (Selected Events)				
Mon, Sep 29	Tue, Sep 30	Wed, Oct 1	Thu, Oct 2	Fri, Oct 3
<i>Personal Income and Outlays</i>	S&P Case-Shiller HPI	Motor Vehicle Sales	<i>Jobless Claims</i>	<i>Employment Situation</i>
Pending Home Sales Index	Chicago PMI	ADP Employment Report	Factory Orders	<i>International Trade</i>
Dallas Fed Mfg Survey	Consumer Confidence	PMI Manufacturing Index		ISM Non-Mfg Index
		<i>ISM Mfg Index</i>		
		Construction Spending		
		EIA Petroleum Status Report		

Red: Market moving indicator

Black: Merits extra attention

Source: Bloomberg



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