

Headlines

- [ECB satisfied with effects of QE, no plans to end it early: Mersch](#). *Reuters.com*, 16 May 2015
- [US outlook brighter, but not enough yet for higher rates](#). *Reuters.com*, 17 May 2015
- [Osborne to set out UK budget detailing Tory plans on July 8](#). *Bloomberg.com*, 16 May 2015
- [Greece aid accord looks elusive as Tsipras sticks to red lines](#). *Bloomberg.com*, 16 May 2015

Weekly Review (for week ending 15 May 2015)

■ Greece avoids default by tapping reserves to pay IMF loan

Greek officials emptied an IMF holding account to repay €750 million to the IMF, avoiding default but underscoring the dire state of the country's finances. Greek PM Alexis Tsipras on Tuesday called on lenders to break an impasse in cash-for-reform talks after Athens had to resort to a temporary expedient to make a crucial payment to the IMF but the reserves that the Greek government used must be replenished in the IMF account within "several weeks". However, the ECB did raise the ceiling on emergency liquidity assistance for the Greek lenders by €1.1 billion to €80 billion, to help them counter deposit withdrawals.

■ China April economic data at multi-year lows

Multiple Chinese economic indicators missed expectations Wednesday, with consumption and investment growth figures falling to multi-year lows, underlining sluggish momentum in the economy. Growth in retail sales, a key indicator of consumer spending, slowed to 10.0% in April, the weakest for 9 years, below forecasts for 10.4%. Fixed asset investment, a measure of government spending on infrastructure, expanded 12.0% in the first 4 months of the year, the lowest since 2000, below forecasts for 13.5%. Industrial output, which measures production at factories, workshops and mines, rose 5.9% in April, improving from a 5.6% gain in March but lower than forecasts for 6.0%.

■ BoE cuts growth outlook, projects first rate hike in Q3 of 2016

The BoE in its latest Inflation Report trimmed its GDP growth forecasts for the next few years but kept its inflation forecasts largely unchanged and projects the first rate hike in Q3 of 2016. BoE cuts 2015 GDP growth from 2.9% to 2.5%, and 2016 GDP growth from 2.9% to 2.6%. The BoE sees risk that period of low inflation could last longer and cuts 2015 inflation to 0.5% from 1.4% but expects inflation to re-accelerate to its 2% inflation target by early 2017. The BoE Governor Mark Carney reiterated the future interest rate increases are likely to be slow and steady due to the lingering scars of recession. Separately, UK unemployment fell to its lowest since 2008 with the number of jobless falling 35,000 to 1.83 million in March, taking the jobless rate down to 5.5% from 5.6% in February and 5.7% in January.

■ Eurozone Q1 GDP strengthens to 0.4% as France & Italy outperforms

Growth in the eurozone strengthened to 0.4% in Q1 from 0.3% in Q4 but fell short of forecasts for 0.5% growth, helped by a surprisingly strong performance in France which outpaced powerhouse Germany. Across all the EU-28 countries, growth also hit 0.4% in Q1, the same as in Q4. Growth slowed sharply in Germany to 0.3% from 0.7%, while France picked up to a vigorous 0.6% from zero growth in Q4. The Italian economy edged its way further out of recession with stronger than expected 0.3% growth in Q1 which followed zero growth in Q4. The news was far bleaker for debt-hit Greece where the economy fell back into recession with a contraction of **-0.2%** from **-0.4%**.

■ Weak US retail sales dampen sharp Q2 growth rebound hopes

US retail sales were flat in April as households cut back on purchases of automobiles and other big-ticket items, the latest sign the economy was struggling to rebound strongly after barely growing in Q1. The weaker-than-expected retail sales report showing the 10th straight month of declining import prices in April, suggest little urgency for the Fed to start raising interest rates. While March's retail sales were revised higher to show a 1.1% increase instead of the previously reported 0.9% rise, that was not enough to offset the general weak tone of the report. Economists had forecast a rise of 0.2% in April. Year-over-year, retail sales rose 0.9%, the weakest growth since 2009.

■ US jobless claims fall; 4-week average at 15-year low

Fewer Americans than forecast filed applications for unemployment benefits last week, pushing the average over the past month to the lowest level in 15 years and underscoring labour-market strength. Jobless claims decreased by 1,000 to 264,000 in the week ended May 9, well below the Bloomberg forecast of 273,000. The four-week average fell 7,750 to 271,750. It was the lowest since April 2000.

■ Singapore retail sales up 2.1% in March as car sales boost takings

Retail sales increased 2.1% in March from a year ago, as car sales gave overall takings a boost. Excluding motor vehicles, retail sales would have fallen 3.2%. Compared with last year, retailers of motor vehicles recorded a surge in sales of 40% in March. Aside from the sales of motor vehicles, watches and jewellery, and department stores, which increased by 40%, 2.4% and 0.3% year-on-year, all other industries saw declines in sales. Sales at petrol service stations plummeted 21.4% over last year, partly due to lower petrol prices.

■ US industrial output falls for 5th straight month

US industrial production fell for a fifth straight month in April, weighed down by declines in mining (-0.8%) and utilities output (-1.3%), pointing to a lack of momentum in the economy at the start of Q2. Industrial output slipped 0.3% after a revised 0.3% drop in March. Economists had forecast industrial production edging up 0.1% last month after a previously reported 0.6% fall in March. Industrial capacity utilisation fell to 78.2%, the lowest since January of last year, from 78.6% in March. Fed officials tend to look at capacity utilisation as a signal of how much "slack" remains in the economy and how much room there is for growth to accelerate before it becomes inflationary.

Market Snapshot

Selected Equity Indices	Last (May 15)	1-week return	Year-to-date return
Dow Jones Industrial Average	18,272.56	0.45%	2.52%
S&P 500 Index	2,122.73	0.31%	3.10%
FTSE 100 Index	6,960.49	-1.23%	6.01%
Euro Stoxx 50	3,573.07	-2.09%	13.56%
Nikkei 225	19,732.92	1.83%	13.08%
Hang Seng Index	27,822.28	0.89%	17.87%
Shanghai SE Composite	4,308.69	2.44%	33.20%
BSE Sensex Index	27,324.00	0.81%	-0.64%
Straits Times Index	3,463.10	0.32%	2.91%

Source: Bloomberg

Week Ahead

Economic Calendar (Selected Events)				
Mon, May 18	Tue, May 19	Wed, May 20	Thu, May 21	Fri, May 22
Housing Market Index	<i>Housing Starts</i>	EIA Petroleum Status Report <i>FOMC Minutes</i>	<i>Jobless Claims</i> <i>Philadelphia Fed Business Outlook Survey</i> <i>Existing Home Sales</i>	<i>Consumer Price Index</i> PMI Manufacturing Index Flash

Red: Market moving indicator

Black: Merits extra attention

Source: Bloomberg



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