

Headlines

- [Yellen tone suggests choppiness for markets ahead](#). *Reuters.com, 23 May 2015*
- [Greece does not have the money to make June IMF repayment: interior minister](#). *Reuters.com, 24 May 2015*
- [Bank of England accidentally e-mails Brexit plans to the Guardian](#). *Bloomberg.com, 23 May 2015*
- [Schaeuble expects conflict at Dresden G-7 over austerity policy](#). *Bloomberg.com, 23 May 2015*

Weekly Review (for week ending 22 May 2015)

■ ECB hints at accelerated bond purchases over next two months

ECB policymaker Benoit Coeure said the central bank may accelerate its €1 trillion bond-buying program over the pre-summer. He said that the speed of the recent spike in bond yields which has effectively wiped out the benefits of QE was worrisome and the ECB could "moderately" increase its buying in May and June and possibly in September, to ensure it doesn't lag behind on its target over summer. This would allow the ECB to keep its monthly average of €60 billion in purchases "while having to buy less in the holiday period".

■ UK inflation turns negative for first time since 1960; BoE says it is temporary

Britain's annual rate of consumer price inflation fell below zero for the first time in more than half a century and comes after two previous months of zero inflation though BoE Governor Mark Carney said the dip was likely to be brief. The ONS said consumer prices fell 0.1% in April compared with the same month last year. Economists had expected the CPI to remain unchanged. Prices were pushed into negative territory on the back of falling transport services -- notably air and sea fares -- and the earlier timing of Easter. Inflation has been dragged lower in recent months by slumping world oil prices and supermarket price wars in Britain. Core inflation grew by just 0.8%, which was the lowest level since March 2001. British finance minister George Osborne also said the drop did not amount to "damaging deflation".

■ US housing starts surge to 7½ year high as weather warms

New residential construction in the US surged in April to the highest level in more than seven years and permits soared, indicating the industry has moved beyond a weather-related soft patch to regain strength. Housing starts jumped 20.2% to a 1.14 million annualised rate, the most since November 2007, from a 944,000 pace in March. The median forecast was for 1.02 million. Construction slumped 16.7% in February as harsh weather prevented developers from starting new projects. Permits for future home construction jumped 10.1% to a 1.14 million annualised rate, the highest since June 2008, in a sign construction will remain strong this month. They were projected to climb to a 1.06 million pace after 1.04 million the prior month. Permits have been above a 1 million-unit pace since July.

■ Japan Q1 GDP beats expectations at 2.4% annualised

After suffering a brief tax-induced recession in 2014 the Japanese economy appears to be in healthier shape, with GDP growth outpacing expectations in Q1. The economy expanded a seasonally-adjusted 0.6% in Q1. GDP growth was recorded at 2.4% year-on-year, coming in much stronger than the market forecast of 1.6%, and beating the 1.5% growth in Q4. Private demand rose 4.3% year-on-year last quarter. While export growth was strong, shooting up almost 10%, imports offset the rise, jumping 12% from a year ago in Q1.

■ US April FOMC minutes show doubts about strength of US recovery

The Fed expects "moderate" growth to resume after stalling in Q1 which they attribute in large part to transitory factors (weather & port shutdown), even as officials remained concerned about the strength of the US consumer whose spending contributes to two-thirds of the US economy. There were concerns that the stronger dollar and lower oil prices could prove to be longer term headwinds. In the minutes of the FOMC 28/29 April meeting, many participants "thought it unlikely that the data available in June would provide sufficient confirmation that the conditions for raising the target range for the federal funds rate had been satisfied, although they generally did not rule out this possibility". Markets interpreted that the Fed is unlikely to start raising short-term interest rates at the next FOMC on 16/17 June 2015.

■ China May flash HSBC factory PMI shrinks for third month, more stimulus seen

Chinese factory activity contracted for a third month in May and output shrank at the fastest rate in just over a year, indicating persistent weakness that requires increased policy support. The flash HSBC/Markit PMI fell to 49.1 in May, below economists' forecast of 49.3, but stronger than April's final reading 48.9. The sub-indices for new export orders fell to a 23-month low of 46.8, with output contracting for the first time this year to a 13-month low of 48.4, while employment sub-index showed manufacturers shed jobs for the 19th month in a row.

■ US existing-home sales fall 3.3% in April as prices race higher

The sales pace for used homes fell 3.3% in April to a seasonally adjusted annual rate of 5.04 million, pulling back from an upwardly revised 5.21 million pace in March. Economists had expected a sales rate of 5.24 million for April. The sales **price** of existing homes raced higher last month with the median price at US\$219,400 in April, up 8.9% from the prior year, and the fastest pace since January 2014.

■ Unexpected jump in US core inflation in April

The overall CPI edged up 0.1% in April after increasing 0.2% in March. It was held back by a 1.7% drop in gasoline prices and no change in food prices. Gasoline prices, however, have since risen. In the 12 months through April, the CPI fell 0.2%, the largest decline since October 2009, after dipping 0.1% in March. The **core** CPI, which strips out food and energy costs, increased 0.3%, the largest rise since January 2013, after advancing 0.2% in March. Core inflation was boosted by a 0.3% increase in rental costs and 0.7% in medical care. While core prices were up a modest 1.8% year-on-year, the pace for the past three months is 2.6%, the fastest in almost four years.

Market Snapshot

Selected Equity Indices	Last (May 22)	1-week return	Year-to-date return
Dow Jones Industrial Average	18,232.02	-0.22%	2.29%
S&P 500 Index	2,126.06	0.16%	3.26%
FTSE 100 Index	7,031.72	1.02%	7.09%
Euro Stoxx 50	3,679.14	2.97%	16.93%
Nikkei 225	20,264.41	2.69%	16.12%
Hang Seng Index	27,992.83	0.61%	18.59%
Shanghai SE Composite	4,657.60	8.10%	43.99%
BSE Sensex Index	27,957.50	2.32%	1.67%
Straits Times Index	3,450.18	-0.37%	2.53%

Source: Bloomberg

Week Ahead

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

Red: Market moving indicator

Black: Merits extra attention

Source: Bloomberg



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