

Headlines

- [Policies working, ECB must persist with purchase programs: Constancio](#). *Reuters.com*, 30 May 2015
- [Crunch time for Greece; US and Chinese data in focus](#). *Reuters.com*, 31 May 2015
- [Greek talks with creditors deepen as payment clock ticks](#). *Bloomberg.com*, 30 May 2015
- [SNB's Jordan says further rate cuts depend on global environment](#). *Bloomberg.com*, 31 May 2015

Weekly Review (for week ending 29 May 2015)

■ Japan exports rise more than forecast as shipments to US rise

Japanese exports rose more than forecast in April, providing support for an economy that's expanded for two straight quarters after a recession in 2014. The value of overseas shipments rose 8% from a year earlier, compared with a median estimate for a 6% increase. Imports slid 4.2%, leaving a ¥53.4 billion trade deficit. Japan's exports exceeded imports in March for the first time in almost three years. Shipments to the US rose 21%, and those to China climbed 2.4% from a year earlier. Export volume was up 1.8%. A decline in oil prices contributed to the fall in imports, with the value of crude oil imports down almost 35%, even as volume rose 9.1%. The IMF said Japan's economy will grow about 1% in 2015 and 1.25% in 2016 due to a recovery in exports and stronger domestic consumption.

■ Singapore inflation 6th month in negative territory; core inflation lowest in 5 years

Singapore's April consumer prices fell for the sixth consecutive month and registered -0.5%/y, from March's -0.3%/y. This is the longest stretch of "deflation" since the last "deflationary period" back in the post-financial crisis Jun-Dec 2009. April's lower-than-expected inflation rates were due to transient factors, such as sharper price declines in oil-related items and a moderation in services inflation. The softer rental market and weaker COE premiums also remained a drag on headline inflation. Core inflation, which strips out the costs of accommodation and private road transport, fell to 0.4% in April, compared to 1% in March, registering the lowest reading in five years. MAS & MTI reiterated official forecasts for 2015: headline inflation is projected to average -0.5% to 0.5%, and core inflation 0.5% to 1.5%.

■ Singapore's Q1 GDP growth better than expected at 2.6%

The Singapore economy grew a better-than-expected 2.6% year-on-year in Q1, despite a contraction in the manufacturing sector. This beat both the initial flash estimate of 2.1% growth, and the market's expectation that this could be raised slightly to 2.2%. Due to the decline in the output of the transport engineering, electronics, and biomedical manufacturing clusters, the manufacturing sector contracted by 2.7% year-on-year, extending the 1.3% decline in Q4 of 2014. Growth in the services sector accelerated to 3.1% year-on-year in Q1, up from 0.7% in Q4. After seasonal adjustments and on an annualised basis, the Singapore economy grew 3.2% quarter-on-quarter, far higher than the flash estimate of a 1.1% expansion. The Singapore government maintained its 2015 full-year growth forecast of 2%-4%.

■ US new home sales, prices rise strongly in April

US new home sales increased 6.8% in April to a seasonally adjusted annual rate of 517,000 units from March's sales pace of 484,000 units. Economists had forecast new home sales, which account for 9.3% of the market, rising to a 510,000-unit pace. The stock of new houses available on the market rose 0.5% last month to 205,000. At April sales pace it would take 4.8 months to clear the supply of houses, down from 5.1 months in March. The median price for a new home rose 8.3% from a year ago to US\$297,300 due to tight supply.

■ Consumers, investment lead UK to ninth quarter of growth

Consumer spending and business investment helped the UK economy to its longest stretch of growth since the financial crisis as trade continued to act as a drag. GDP rose 0.3% in Q1, matching an initial estimate from the Office for National Statistics, but it was below the 0.4% increase forecast by economists. Consumer spending rose 0.5% and investment grew 1.7%. Exports fell 0.3% and imports rose 2.3%. As a result, net trade knocked 0.9% off growth, the most since Q3 of 2013. Government spending climbed 0.6%.

■ US jobless claims rise, but job growth still seen strong

The number of Americans filing new claims for jobless benefits rose last week, but the level remains consistent with an economy that is adding jobs. It was the 12th straight week with fewer than 300,000 initial claims filed. Initial jobless claims, a proxy for layoffs across the US economy, increased by 7,000 to a seasonally adjusted 282,000 in the week ended May 23, higher than economists' forecast for 272,000. The four-week moving average for initial claims, which evens out weekly volatility, rose by 5,000 to 271,500 last week.

■ Japan's unemployment rate drops to lowest in 18 years

Japan's unemployment rate fell to its lowest level in 18 years, while job vacancies hit their highest level in 23 years, as improved corporate earnings and wage hikes have helped reinvigorate the job market. Japan's April unemployment rate continued to surprise on the downside as it improved further to 3.3% from 3.4% in March. The ratio of jobs to applicants rose to 1.17 in April, up from 1.15 in March.

■ Economy in US shrank 0.7% in Q1 as trade gap jumped

GDP in the US shrank at a **0.7%** annualised rate, revised from a previously reported 0.2% gain, after growing at a 2.2% pace in Q4. New data showing that exports fell more than first thought and imports rose higher. Economists at Goldman Sachs noted that the change in the trade balance shaved 1.9% off overall growth in Q1, the largest quarterly drag from net exports in 30 years. The median forecast by economists called for a 0.9% drop. By contrast, the report also showed incomes climbed, fuelling the debate on whether GDP is being underestimated. Gross Domestic Income adjusted for inflation climbed at a 1.4% annualised rate in Q1 after rising 3.7% in Q4.

Market Snapshot

| Selected Equity Indices | Last (May 29) | 1-week return | Year-to-date return |
|------------------------------|---------------|---------------|---------------------|
| Dow Jones Industrial Average | 18,010.68 | -1.21% | 1.05% |
| S&P 500 Index | 2,107.39 | -0.88% | 2.36% |
| FTSE 100 Index | 6,984.43 | -0.67% | 6.37% |
| Euro Stoxx 50 | 3,570.78 | -2.95% | 13.49% |
| Nikkei 225 | 20,563.15 | 1.47% | 17.84% |
| Hang Seng Index | 27,424.19 | -2.03% | 16.18% |
| Shanghai SE Composite | 4,611.74 | -0.98% | 42.57% |
| BSE Sensex Index | 27,828.44 | -0.46% | 1.20% |
| Straits Times Index | 3,392.11 | -1.68% | 0.80% |

Source: Bloomberg

Week Ahead

| Economic Calendar (Selected Events) | | | | |
|-------------------------------------|----------------|-----------------------------|------------------------|-----------------------------|
| Mon, Jun 1 | Tue, Jun 2 | Wed, Jun 3 | Thu, Jun 4 | Fri, Jun 5 |
| <i>Personal Income and Outlays</i> | Factory Orders | ADP Employment Report | <i>Jobless Claims</i> | <i>Employment Situation</i> |
| PMI Manufacturing Index | | <i>International Trade</i> | Productivity and Costs | |
| <i>ISM Mfg Index</i> | | ISM Non-Mfg Index | | |
| Construction Spending | | EIA Petroleum Status Report | | |
| | | Beige Book | | |

Red: Market moving indicator

Black: Merits extra attention

Source: Bloomberg



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