

Headlines

- [ECB plans more health checks for banks in 2016: Nouy in paper](#). *Reuters.com*, 07 Jun 2015
- [Pick-up continues as Greek drama plays on](#). *Reuters.com*, 07 Jun 2015
- [Tsipras to meet Hollande, Merkel as Varoufakis seeks debt relief](#). *Bloomberg.com*, 07 Jun 2015
- [Iran to boost oil exports after sanctions even if prices fall](#). *Bloomberg.com*, 07 Jun 2015

Weekly Review (for week ending 05 June 2015)

■ Twin PMIs show improving Chinese factory activity

China's factory activity picked up its pace a tad in the May, twin surveys showed last Monday. The official PMI, which surveys large companies, rose to 50.2 from 50.1 in April, in line with forecasts. The final HSBC PMI print, which focuses on small and medium sized enterprises, stayed in contraction for a third month at 49.2, but beat the 49.1 figure in April. The improvement of both PMIs is due to the recent pro-growth policies launched by Chinese authorities. Along with the RRR and interest rate cuts, the government has rolled out more supportive fiscal policies. The PBoC has allowed commercial banks to extend maturities on construction loans to developers short of cash.

■ Eurozone inflation rises to 0.3% in May; ECB raises inflation forecast but keeps growth outlook

Inflation in the eurozone turned positive in May after five months of falls or stagnation. The annual inflation rate rose to 0.3%, up from 0% in April. The core inflation rate, which strips out volatile items such as food, energy and tobacco, was up 0.9% in the year to May from April's 0.6%. The ECB has raised its forecast for inflation this year but said there were some signs of economic recovery losing momentum across the eurozone. After leaving interest rates at a record low 0.05%, the ECB raised its inflation forecast to 0.3% for this year, having previously put it at zero, saying that its trillion-euro-plus asset buying programme was paying off but had to be seen through. Inflation next year is seen at 1.5% and on growth, ECB staff kept forecasts unchanged at 1.5% this year and 1.9% in 2016.

■ US trade gap shrinks by 19%, most in 6 years

The US trade deficit fell sharply in April as the effects of the port slowdown faded, easing one of the biggest drags on the economy during the opening months of the year. The trade gap narrowed by 19.2% to a seasonally adjusted US\$40.88 billion in April, down from March's revised deficit of US\$50.6 billion. That was sharpest drop in more than six years. Imports fell 3.3% to US\$230.8 billion as West Coast ports, a key entry point for goods to and from Asia, cleared a backlog created by a labour dispute that was settled earlier this year. Exports increased 1.0% to US\$189.9 billion in April due to a stronger US dollar that made goods and services less affordable abroad.

■ UK interest rates kept at record low

As expected, the BoE held its benchmark interest rate at a record low of 0.5%, where it has remained since March 2009. The nine-strong MPC has voted unanimously to keep rates on hold in all its previous meetings so far this year. It also kept the size of its bond purchases under the QE program at £375 billion. Ultra-low inflation, which turned negative in April at -0.1%, has put on hold expectations about the Bank raising rates in 2015. Last month, the Bank indicated that it was likely to raise the cost of borrowing in the middle of next year.

■ US jobless claims hover near 15-year low

US initial jobless claims for the week ending 30 May decreased by 8,000 to 276,000, versus the revised 284,000 reading in the previous week, better than expectations for a 278,000 result. The 4-week average was reported at 274,500, up 2,500 from the revised 272,000 reading seen in the week prior. Meanwhile, continuing claims for week ending 23 May decreased to 2.196 million, versus the revised 2.226 million reading seen prior. The insured unemployment rate decreased to 1.6%. Both jobless claims numbers are still hovering near levels last seen in 2000, reflecting the small number of layoffs taking place in the economy each week.

■ Japan's GPIF sees no near-term need to hedge against stronger yen

As part of PM Abe's plans to revive the Japan economy, GPIF last year said it would make riskier investments in order to generate higher returns. Mitani, president of the GPIF, said that since the US is expected to raise interest rates while Japan continues its massive QE program, there is no urgent need to hedge against a yen getting stronger despite the fund's growing exposure to overseas investments. Mitani said the plan is to steadily shift funds towards risky assets like domestic and foreign equities in order to meet new allocation targets.

■ Greece defers IMF payment till end June; Greek PM rejects 'absurd' offer from lenders

On Friday the government decided to bundle together some €1.6 billion it is scheduled to pay the IMF in June into a single payment at the end of the month, skipping a €300 million payment due on Friday. It was the first time in five years of crisis that Greece has postponed a repayment on its €240 billion bailouts. "The Greek government cannot consent to absurd proposals", Tsipras told parliament. The lenders' proposal crosses many of Tsipras's 'red lines', including hiking taxes, privatizing strategic assets and cutting benefits for poor pensioners.

■ US payrolls jump more than forecast as unemployment rate edges up to 5.5%

Employers added 280,000 jobs in May, the most in five months, further dispelling fears that a Q1 slowdown would take hold. That followed a revised 221,000 April advance. Average hourly earnings increased 0.3% in May from the prior month, the biggest gain since January. They were up 2.3% from May 2014, exceeding the 2% gain on average since the current expansion began six years ago. An increase in the number of people entering the labour force caused the unemployment rate to creep up to 5.5% from 5.4%. The participation rate, which indicates the share of working-age people in the labour force, increased to a four-month high of 62.9% from 62.8% in April.

Market Snapshot

Selected Equity Indices	Last (Jun 5)	1-week return	Year-to-date return
Dow Jones Industrial Average	17,849.46	-0.90%	0.15%
S&P 500 Index	2,092.83	-0.69%	1.65%
FTSE 100 Index	6,804.60	-2.57%	3.63%
Euro Stoxx 50	3,510.01	-1.70%	11.56%
Nikkei 225	20,460.90	-0.50%	17.25%
Hang Seng Index	27,260.16	-0.60%	15.48%
Shanghai SE Composite	5,023.10	8.92%	55.29%
BSE Sensex Index	26,768.49	-3.81%	-2.66%
Straits Times Index	3,333.67	-1.72%	-0.94%

Source: Bloomberg

Week Ahead

Economic Calendar (Selected Events)				
Mon, Jun 8	Tue, Jun 9	Wed, Jun 10	Thu, Jun 11	Fri, Jun 12
	JOLTS	EIA Petroleum Status Report	<i>Jobless Claims</i>	<i>PPI-FD</i>
		Treasury Budget	<i>Retail Sales</i>	Consumer Sentiment
			Import and Export Prices	
			Business Inventories	

Red: Market moving indicator

Black: Merits extra attention

Source: Bloomberg



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