

Headlines

- [China official manufacturing PMI falls to 50.0 in July, below forecasts](#). Reuters.com, 01 Aug 2015
- [Greece may seek up to 24 billion euros in first new aid tranche: paper](#). Reuters.com, 02 Aug 2015
- [Why capital outflows from China may be no cause for alarm](#). Bloomberg.com, 01 Aug 2015
- [Pound traders awaiting BoE data after biggest jump in six weeks](#). Bloomberg.com, 01 Aug 2015

Weekly Review (for week ending 31 July 2015)

■ US durable goods orders jump 3.4% in June but business investment still soft

US June durable goods orders jumped 3.4% m/m higher in June, after contracting 2.1% in May and exceeding market expectation for a rise of 3.2%. Even if we exclude the lumpy transportation item, durable goods still increased a robust 0.8% m/m (from -0.1% in May and beat forecast for a 0.5% increase). Bookings for non-military equipment excluding planes (a category viewed as a proxy for business investment plans) rose 0.9% m/m, after decreasing 0.4% in May. This was the second monthly gain recorded this year.

■ UK Q2 GDP grows by 0.7%, boosted by oil and services

The preliminary estimates for the UK Q2 GDP showed the UK economy expanded for the tenth straight quarter and at a faster pace of 0.7% q/q increase (from 0.4% q/q in Q1) even as the y/y growth is likely slower at 2.6% y/y (from 2.9% y/y) mainly because of base effects (UK expanded a strong 3% y/y in Q2 of 2014). The data was in line with forecasts. Services output, which makes up more than 75% of the economy, was up 0.7% in Q2 after a 0.4% rise in Q1. Manufacturing sector declined 0.3% in Q2, its first quarterly fall in 2 years, hurt by the stronger pound while construction activity was flat on the quarter, recovering from a slight fall the previous quarter. But a 7.8% surge in North Sea oil and gas production lifted overall industrial output by 1.0%, the biggest increase since late 2010.

■ Plunge in US consumer confidence exposes risk for economy

Consumer confidence slumped in July by the most in almost four years as households became less upbeat about the outlook for the economy, employment and their finances. The Conference Board's index retreated to 90.9 in July from a revised 99.8 in June. The July reading, the weakest in 10 months, was lower than the most pessimistic forecast. The 8.9 point drop also marked the biggest negative surprise since February 2003. The Conference Board's gauge of consumer expectations for the next six months slumped to the lowest since February 2014. There was a smaller decline in the group's measure of present conditions.

■ US FOMC: unchanged monetary policy in July with no fresh leads

The US Federal Reserve decided by unanimous vote to keep interest rates unchanged at its July's meeting as widely expected, but offered no hints at the timing of the lift-off in the statement. The Fed kept an unchanged view on household spending but seemed more positive on the housing sector as "it has shown additional improvement." However, they pledged for a move when they see "some further improvement in the labour market" and that "a range of labour market indicators suggests that underutilisation of labour resources has diminished since early this year", suggesting a rate hike in September is still on the table.

■ Singapore unemployment rate edges up to 2% in Q2 amid softer economy

Singapore's unemployment rate rose to 2% in June, up from 1.8% in March after declining for the past four quarters, due to "softer economic conditions", the Ministry of Manpower said. Among residents, unemployment rose from 2.5% to 2.8%, and for citizens, it rose from 2.6% to 2.9%. The figures are similar to the unemployment situation a year ago, MOM said. Total employment grew by 15,700, following a contraction of 6,100 in the last quarter, boosted by hiring in the construction and services industries. The number of employed people in June 2015 was 3,633,500, a 2.7% increase from March, and 2.4% higher than a year ago.

■ US Q2 GDP growth rebounds at 2.3%; Q1 growth upwardly revised

The first cut for the US Q2 GDP advance estimate met expectations for a rebound coming in at 2.3% q/q SAAR. While this rebound fell short of the Bloomberg consensus forecast of +2.5%, this was not a bad outcome considering the -0.2% contraction suffered in Q1 was now revised to a growth of +0.6%. The Q2 growth was driven by robust personal consumer spending (+2.9%), positive government spending (+0.8%) and a slower increase of imports (3.5% in Q2 from 7.1% in Q1) but let down by a -0.6% decline in business spending.

■ Japan inflation edges up but household spending slump heightens chance of Q2 contraction

Japan's household spending unexpectedly fell and inflation stalled in June, heightening the chance the economy may have contracted in Q2 and casting doubt on the BoJ's view growth will rebound solidly in the current quarter. Annual core consumer inflation, which includes oil products but excludes volatile fresh food prices, rose 0.1% in June, exceeding market expectations of 0%. The BoJ has signalled it feels no need to expand stimulus now, stressing that it will look through the effect of last year's oil rout that is mainly behind the slowdown in inflation. Worryingly, household spending fell 2.0% in the year to June after rising 4.8% in May, below expectations for a 1.7% increase.

■ US wage growth brakes in Q2; consumer sentiment slips to lowest since May

The US Employment Cost index, the broadest measure of labour costs, edged up 0.2% in Q2 after rising 0.7% in Q1. That was the smallest gain since the series started 33 years ago. The weakness was concentrated in sales, information and wholesale trade, where workers are likely to receive incentive pay. Excluding commissions, wages rose 0.6% in both Q1 and Q2. Separately, the US Consumer Sentiment index slipped to 93.1 in July (lowest since May) from 96.1 in June. Still, the index was up 13.8% compared to July of last year.

Market Snapshot

Selected Equity Indices	Last (Jul 31)	1-week return	Year-to-date return
Dow Jones Industrial Average	17,689.86	0.69%	-0.75%
S&P 500 Index	2,103.84	1.16%	2.18%
FTSE 100 Index	6,696.28	1.77%	1.98%
Euro Stoxx 50	3,600.69	0.02%	14.44%
Nikkei 225	20,585.24	0.20%	17.96%
Hang Seng Index	24,636.28	-1.96%	4.37%
Shanghai SE Composite	3,663.73	-10.00%	13.26%
BSE Sensex Index	28,114.56	0.01%	2.24%
Straits Times Index	3,202.50	-4.48%	-4.83%

Source: Bloomberg

Week Ahead

Economic Calendar (Selected Events)				
Mon, Aug 3	Tue, Aug 4	Wed, Aug 5	Thu, Aug 6	Fri, Aug 7
Motor Vehicle Sales	Factory Orders	ADP Employment Report	<i>Jobless Claims</i>	<i>Employment Situation</i>
<i>Personal Income and Outlays</i>		<i>International Trade</i>		
PMI Manufacturing Index				
<i>ISM Mfg Index</i>				
Construction Spending				

Red: Market moving indicator

Black: Merits extra attention

Source: Bloomberg



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