

## Headlines

- [Eurozone economy slows as France stalls and China risks loom](#). *Reuters.com*, 15 Aug 2015
- [China yuan to move both ways, more 'adjustments' unlikely: central bank economist](#). *Reuters.com*, 16 Aug 2015
- [EU aims to lure Greek deposits back to banks with bail-in shield](#). *Bloomberg.com*, 15 Aug 2015
- [Merkel allies warily back Greek deal before lawmaker vote](#). *Bloomberg.com*, 16 Aug 2015

## Weekly Review (for week ending 14 August 2015)

### ■ Singapore trims GDP forecast after economy shrank in Q2

Singapore narrowed its growth forecast for 2015 after the economy shrank in Q2 amid a manufacturing contraction. GDP fell an annualised 4% in Q2 (initial estimate of a 4.6% drop) from Q1, when it grew a revised 4.1%. On a year-on-year basis, the economy grew by 1.8% in Q2 from a year ago, sharply lower than the 2.8% growth in Q1. The figure is in line with the Government's earlier estimate of 1.7%. The GDP growth forecast for 2015 has been narrowed to between 2% and 2.5%, from an earlier forecast of 2% to 4%.

### ■ China surprises market with a "one-off devaluation" by a record 1.9%

China's central bank, PBoC, surprised the market on Tuesday with a sharply weaker RMB central fixing resulting in a record decline of 1.86%. PBoC announced subsequently that this was a one-time move aimed at improving the daily fixing mechanism. The PBoC has applied a new methodology to determine the fixing: market makers who submit contributing prices have to consider the previous day's close, foreign-exchange demand and supply, as well as changes in major currency rates. The IMF proposal to delay the inclusion of the RMB as a SDR currency to September 2016 may have spurred China to undertake further market liberalisation measures, of which the change in RMB fixing methodology would be one of these initiatives.

### ■ Greece secures bailout deal after all-night talks in Athens

Greece and its international lenders clinched a multi-billion-euro bailout agreement on Tuesday after marathon talks through the night, officials said, raising hopes aid can be disbursed in time for a €3.2 billion debt repayment to the ECB due on 20 August. After an 23-hour session that began Monday afternoon, exhausted Greek officials emerged to announce the two sides had agreed details of the deal though a couple of minor issues remained to be ironed out. "Finally, we have white smoke", a finance ministry official said. "An agreement has been reached. Some minor details are being discussed right now". The pact is expected to be worth €86 billion in fresh loans.

### ■ China stuns financial markets by devaluing yuan for second day running; IMF backs move

China set the central parity higher by 1.6%, devaluing its currency for the second day running, meaning that the RMB has lost 3.5% on the fixing alone in 2 days. PBoC explained that the second day of sharply weaker fixing was based on the weak closing prices the day before, poor loans data for July, among others. The IMF said China's move to make the RMB more responsive to market forces appeared to be a welcome step and that Beijing should aim to achieve an effectively floating exchange rate within two to three years.

### ■ Japan machinery orders tumble in June, add to Q2 GDP contraction fears

Japan's core machinery orders tumbled the most in over a year, adding to fears of an economic contraction in Q2 as exports slumped and consumer spending slackened. The 7.9% fall in the key gauge of capital spending followed a recent run of soft indicators, including exports and factory output, which led analysts to forecast a 1.8% Q2 contraction when economic growth figures come out on Aug 17. Core orders, which exclude those of ships and electric power utilities, grew 2.9% in Q2 from Q1, which was the fourth straight quarterly gain. The Cabinet Office stuck to its assessment of machinery orders as "picking up", suggesting that the monthly decline may be a one-off.

### ■ Solid US retail sales bolster Fed rate hike expectations

US retail sales rebounded in July as households boosted purchases of automobiles and a range of other goods, suggesting the economy was growing solidly early in Q3 and bolstering the case for a Fed interest rate hike. Retail sales rose 0.6% in July, in line with forecasts, and unchanged in June (an upward revision from the previously reported 0.3% drop). May's data was also revised higher, adding to the report's upbeat tone. Core retail sales which exclude automobiles, gasoline, building materials and food services, correspond most closely with the consumer spending component of GDP, rose 0.3% after a revised 0.2% gain in June (previously reported to have dipped 0.1%).

### ■ US jobless claims up, four-week average lowest since 2000

Initial claims for state unemployment benefits increased 5,000 to a seasonally adjusted 274,000 for the week ended August 8. Economists had forecast claims to be unchanged. Claims for the prior week were revised to show 1,000 fewer applications than previously reported. Though claims have risen for three straight weeks, they have remained below the 300,000 threshold, which is associated with a firming jobs markets, for 23 consecutive weeks. The four-week moving average of claims fell 1,750 to 266,250, the lowest since April 2000.

### ■ US industrial production ratchets up in July

US industrial output advanced at its strongest pace in eight months in July as auto production surged in a bullish signal for Q3 economic growth. Industrial production shot up 0.6% in July after a downwardly revised increase of 0.1% in June. Economists had looked for a gain of just 0.3% last month. It was the largest gain since November and the second straight increase for the measure after starting the year with five monthly decreases. Capacity utilisation, which measures industrial slack, increased 0.3% to 78.0% in July from June (revised downwards from 77.8%). Capacity utilisation has risen 1.7% over the past year, but stands 2.1% below its average since 1972.

## Market Snapshot

Selected Equity Indices	Last (Aug 14)	1-week return	Year-to-date return
Dow Jones Industrial Average	17,477.40	0.60%	-1.94%
S&P 500 Index	2,091.54	0.67%	1.59%
FTSE 100 Index	6,550.74	-2.50%	-0.23%
Euro Stoxx 50	3,491.03	-4.03%	10.95%
Nikkei 225	20,519.45	-0.99%	17.58%
Hang Seng Index	23,991.03	-2.29%	1.64%
Shanghai SE Composite	3,965.33	5.91%	22.59%
BSE Sensex Index	28,067.31	-0.60%	2.07%
Straits Times Index	3,114.25	-2.58%	-7.46%

Source: Bloomberg

## Week Ahead

Economic Calendar (Selected Events)				
Mon, Aug 17	Tue, Aug 18	Wed, Aug 19	Thu, Aug 20	Fri, Aug 21
Empire State Mfg Survey	<i>Housing Starts</i>	<i>Consumer Price Index</i>	<i>Jobless Claims</i>	PMI Manufacturing Index Flash
Housing Market Index		EIA Petroleum Status Report	<i>Philadelphia Fed Business Outlook Survey</i>	
Treasury International Capital		<i>FOMC Minutes</i>	<i>Existing Home Sales</i>	

Red: Market moving indicator

Black: Merits extra attention

Source: Bloomberg



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