

Headlines

- [IMF official says 'premature' to speak of Chinese crisis](#). *Reuters.com*, 22 Aug 2015
- [German finance ministry experts see budget surplus this year: Spiegel](#). *Reuters.com*, 22 Aug 2015
- [Greece's Meimarakis likely to fail in bid to form government](#). *Bloomberg.com*, 22 Aug 2015
- [Middle East stocks sink as oil at 2009-low sparks growth concern](#). *Bloomberg.com*, 23 Aug 2015

Weekly Review (for week ending 21 August 2015)

■ Japan's Q2 GDP shrinks annualised 1.6%, first slump since recession in 2014

Japan's economy shrank at an annualised pace of 1.6% in Q2, contracting for the first time in three quarters on weak exports and consumer spending. The preliminary reading for GDP compared with the median estimate of a 1.9% contraction by economists. It followed a revised 4.5% expansion in Q1. On a quarter-on-quarter basis, GDP contracted 0.4% in Q2, versus a 0.5% contraction expected by economists. Private consumption declined a lot, capital spending was poor and inventories piled up. Private consumption, which makes up roughly 60% of economic activity, fell 0.8% in Q2 from Q1, double the pace expected by analysts. It was the first decline since Q2 of 2014, when an increase in the sales tax hike hit consumption. Overseas demand shaved 0.3% off growth as exports to Asia and US slumped.

■ Singapore's exports down 0.8% year-on-year in July

Non-oil domestic exports (NODX) in Singapore fell 0.8% y/y in July, due to a decrease in non-electronic exports. This comes after a 4.5% expansion in June. Electronic NODX gained 2.3% y/y in July, led by the rebound in the exports of PCs, telecommunications equipment, and diodes & transistors. Non-electronic exports fell 2.1% y/y in July, due to contraction in structures of ships & boats, printed matter, and primary chemicals. The decline in July NODX brought back concerns on the recent global growth slowdown, particularly on the lacklustre growth in China's manufacturing sector over the past few months, where we have seen benign PMI, production, and export numbers.

■ Japan trade deficit widens as export growth slows

Japan's trade deficit widened to its largest level in five months in July, adding to worries over the recovery amid weakening demand in China for chemicals, machinery and electronics. Though exports rose 7.6% from a year earlier, imports fell just 3.2%, less than forecast. The resulting ¥268.1 billion deficit reported Wednesday compared with a deficit of ¥70.5 billion in June and was the biggest since February. Economists had predicted the shortfall would shrink to ¥53 billion. The weak figures were part of broader picture that showed Japan's trade deficit narrowed a less-than-expected 72.3% in July from ¥966.5 billion a year ago, as the cost of energy imports kept falling.

■ US consumer prices up slightly, airfare weighs

US consumer prices rose only slightly in July as airline fares recorded their biggest drop since 1995, but tame inflation pressures will probably not discourage the Fed from raising interest rates this year. The CPI edged up 0.1% in July, with gasoline and food prices increasing marginally, marking a sixth straight monthly increase, but slowing from 0.3% in June and 0.4% in May. Meanwhile, core CPI came in at 0.1% in July, versus the unrevised 0.2% reading in June, also just below expectations for a 0.2% increase.

■ FOMC minutes show US rate rise conditions 'approaching'

Fed policymakers thought conditions for a US rate rise "were approaching" when they met on 28-29 July, but that the economy was not ready yet. Minutes show one policymaker was ready to vote for a rate rise. Policymakers continued to fret that lagging inflation and a weak global economy posed too big a risk to commit to a "lift-off" though an improving job market edged the Fed closer to an interest rate hike. The minutes concluded that "Most participants expressed a preference that the timing of the cessation of reinvestments be based on a qualitative assessment of economic conditions and the outlook..." rather than any linking with changes in the federal funds rate.

■ US existing home sales rise to 8-year high but first-time buyers squeezed out

Existing home sales rose a strong 2% to a 5.59 million annualised pace in July, marking the 3rd straight month of sales increases. It was also the highest level since February 2007. Analysts had forecast home resales falling to a 5.44 million-unit pace last month. Sales were up 10.3% from a year ago, making it the 10th consecutive month of year-over-year increases. But the share of first-time buyers fell as rising costs and a lack of affordable homes for sale pushed many out of the market. Home prices also went up, continuing an unbroken 3½-year streak of increases. The median price for an existing family home was US\$234,000 in July, up 5.6% from a year ago.

■ Caixin China flash manufacturing PMI for August falls to 6½-year low of 47.1 as economy slows

The preliminary Caixin China Manufacturing PMI fell to a 77-month low in August of 47.1, compared with a final reading of 47.8 in July (a 2-year low) and much lower than forecasts for 48.2. The release is the first major indicator for August and follows weaker-than-expected data on investment, industrial output, retail sales and exports in July. Policy makers have stepped up efforts to underpin growth, channelling funds to policy banks, in an effort to keep Premier Li Keqiang's expansion target of about 7% this year within reach.

■ Eurozone business growth unexpectedly accelerates in August

Eurozone business growth unexpectedly accelerated this month as steeper price cutting drove an increase in new orders. Markit's Composite Flash PMI, seen as a good guide to growth, rose to 54.1 in August from July's 53.9 and above 50 since mid-2013. A Reuters poll had predicted a modest dip to 53.8. The PMI pointed to Q3 GDP growth of 0.4%. To spur demand firms have been cutting prices since April 2012 and they did so at a steeper rate this month than in July as the composite output price index fell to 49.5 from 49.8.

Market Snapshot

Selected Equity Indices	Last (Aug 21)	1-week return	Year-to-date return
Dow Jones Industrial Average	16,459.75	-5.82%	-7.65%
S&P 500 Index	1,970.89	-5.77%	-4.27%
FTSE 100 Index	6,187.65	-5.54%	-5.76%
Euro Stoxx 50	3,247.26	-6.98%	3.20%
Nikkei 225	19,435.83	-5.28%	11.38%
Hang Seng Index	22,409.62	-6.59%	-5.06%
Shanghai SE Composite	3,507.74	-11.54%	8.44%
BSE Sensex Index	27,366.07	-2.50%	-0.48%
Straits Times Index	2,971.01	-4.60%	-11.71%

Source: Bloomberg

Week Ahead

Economic Calendar (Selected Events)				
Mon, Aug 24	Tue, Aug 25	Wed, Aug 26	Thu, Aug 27	Fri, Aug 28
	S&P Case-Shiller HPI	<i>Durable Goods Orders</i>	<i>GDP</i>	<i>Personal Income and Outlays</i>
	<i>New Home Sales</i>	EIA Petroleum Status Report	<i>Jobless Claims</i>	Consumer Sentiment
	Consumer Confidence		Pending Home Sales Index	

Red: Market moving indicator

Black: Merits extra attention

Source: Bloomberg



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