

Headlines

- [Fed's Fischer sees inflation rebound, allowing gradual rate hikes](#). *Reuters.com, 30 Aug 2015*
- [China is growing at 'reasonable' pace despite pressures: Premier Li](#). *Reuters.com, 30 Aug 2015*
- [Greek capital controls can work if fair, Iceland's expert says](#). *Bloomberg.com, 29 Aug 2015*
- [Fed, ECB, BoE officials all say they see inflation rising](#). *Bloomberg.com, 30 Aug 2015*

Weekly Review (for week ending 28 August 2015)

■ Singapore's headline inflation contracted for the 9th consecutive month

Singapore's headline inflation contracted for the 9th consecutive month to reach -0.4% y/y in July, and slightly worse than the -0.3% y/y in June, mainly due to the lower cost of private road transport. This is the longest stretch of "deflation" since the last "deflationary period" back in Jun-Dec 2009, when consumer prices in Singapore fell from both the lack of consumer demand as well as corporate/business price-cutting just after the global financial crisis. MAS core inflation, which excludes housing and private road transport, rose 0.4% y/y in July, from 0.2% y/y in June, due to an increase in services inflation and more moderate decline in electricity tariffs. For 2015 as a whole, core inflation and (headline) inflation are projected to come in at the lower half of the forecast range of 0.5% to 1.5% and -0.5% to 0.5%.

■ China: Another simultaneous easing move; lending rates and RRR lowered

Effective 26 August, China's benchmark one-year lending rate was lowered to 4.6% from 4.85%, and the one-year deposit rate cut to 1.75% from 2.0%. Concurrently, the reserve requirement ratio (RRR) for most large banks in China will fall to 18.0% from 18.5%. However, the effective date of the RRR cut is pushed back later, on 6 September, unlike the usual practice of taking effect within days.

■ US new-home sales rebound 5.4% in July to 507,000

Americans stepped up their purchases of **new homes** in July, with sales surging in the Northeast. Sales climbed 5.4% in July, the biggest gain this year, to a 507,000 annualized pace from a 481,000 rate in June. The median forecast called for 510,000. Demand had declined 7.7% in June. Demand for new properties is likely to keep expanding amid strong employment, low borrowing costs and a lack of available existing homes from which to choose. There is 5.2 months' supply of new homes available, compared to 6 months in a healthy market. The shortage of listing has enabled the median price to rise 2% over the past 12 months to US\$285,900.

■ US consumer confidence soars in August

Consumer confidence rose in August to the highest level since January and the second highest level since the end of the recession, reflecting optimism about an improving labour market. The consumer confidence index climbed to 101.5 from a revised 91.0 in July, the Conference Board said. Economists had projected the index to rise to 94.0. The present situation index, a measure of current conditions, soared to a post-recession high of 115.1 from 104 in July. The future expectations index increased to 92.5 from 82.3.

■ US durable goods orders up 2% in July, way above expectations

The Commerce Department says orders for durable goods increased 2% in July after a revised 4.1% gain in June, and well above expectations for a -0.4% result. Durable goods ex-transportation increased 0.6% m/m in July, versus the revised 1.0% m/m reading in June, just above expectations for a 0.4% m/m result. Meanwhile, durable goods ex-defense increased 1.0% m/m, versus the revised 4.2% m/m increase previously. Orders in a category that serves as a proxy for business investment increased 2.2% in July following a 1.4% rise in June. These orders had fallen in four of the previous five months, reflecting the soft patch that manufacturing has faced this year.

■ US Q2 GDP growth revised sharply higher to 3.7%

The US economy grew more than previously estimated in Q2 on bigger gains in consumer and business spending that show expansion got back on track. A surge in inventories also signals such strong growth will be difficult to sustain in the short run. GDP expanded at a 3.7% annual pace instead of the 2.3% rate reported last month, and much stronger than the 3.2% rate expected by analysts and Q1's 0.6%. The upward revisions to Q2 growth also reflected the accumulation of US\$121.1 billion worth of inventories, US\$11.1 billion more than previously estimated. That meant inventories contributed 0.22% to GDP instead of subtracting 0.08% as reported last month. While the huge inventory build will likely weigh on growth in Q3, the blow could be softened by rebounding business investment in capital goods.

■ Japan inflation stalls and spending slides, keeps BoJ under pressure

Japan's core CPI, which includes oil products but excludes volatile fresh food prices, was flat in the year to July against forecasts for a 0.2% drop, with sharp declines in oil offsetting price rises for items like hotel rooms and television sets. Separate data showed household spending fell 0.2% in the year to July, confounding forecasts for a 1.3% rise and reinforcing concerns on the strength of Japan's recovery. The BoJ is also reluctant to expand an already radical stimulus given its rising costs, such as draining liquidity from the bond market.

■ US personal income and spending show continued growth in July

US personal income rose by 0.4% in July, matching the increases seen in the three previous months as well as the consensus estimate. Disposable personal income, or personal income less personal current taxes, increased by 0.5% in July after rising by 0.4% in June. Meanwhile, the Commerce Department also said personal spending increased by 0.3% for the second consecutive month. Economists had expected spending to climb by 0.4%. Real spending, which is adjusted to remove price changes, edged up by a more modest 0.2% in July after coming in nearly unchanged in June. July's figures confirm that the pick-up in expenditure growth in Q2 continued into Q3.

Market Snapshot

Selected Equity Indices	Last (Aug 28)	1-week return	Year-to-date return
Dow Jones Industrial Average	16,643.01	1.11%	-6.62%
S&P 500 Index	1,988.87	0.91%	-3.40%
FTSE 100 Index	6,247.94	0.97%	-4.85%
Euro Stoxx 50	3,286.59	1.21%	4.45%
Nikkei 225	19,136.32	-1.54%	9.66%
Hang Seng Index	21,612.39	-3.56%	-8.44%
Shanghai SE Composite	3,232.35	-7.85%	-0.07%
BSE Sensex Index	26,392.38	-3.56%	-4.03%
Straits Times Index	2,955.94	-0.51%	-12.16%

Source: Bloomberg

Week Ahead

Economic Calendar (Selected Events)				
Mon, Aug 31	Tue, Sep 1	Wed, Sep 2	Thu, Sep 3	Fri, Sep 4
Chicago PMI	PMI Manufacturing Index	ADP Employment Report	<i>International Trade</i>	<i>Employment Situation</i>
Dallas Fed Mfg Survey	<i>ISM Mfg Index</i>	Productivity and Costs	<i>Jobless Claims</i>	
	Construction Spending	Factory Orders	ISM Non-Mfg Index	
		Beige Book		

Red: Market moving indicator

Black: Merits extra attention

Source: Bloomberg



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