

## Headlines

- [Bank of Japan to stand pat even as goals depart from reality: sources](#). *Reuters.com*, 13 Sep 2015
- [China issues state-firm reform plans, expects results by 2020](#). *Reuters.com*, 13 Sep 2015
- [Schaeuble says European deposit guarantee plan will have to wait](#). *Bloomberg.com*, 12 Sep 2015
- [Dovish central banks distort Bunds, Linkers, Mortgages, BIS says](#). *Bloomberg.com*, 13 Sep 2015

## Weekly Review (for week ending 11 September 2015)

### ■ China revises down 2014 GDP growth to 7.3% from 7.4%

China has revised its annual economic growth rate in 2014 to 7.3% from the previously released figure of 7.4%. GDP stood at RMB 63.6 trillion (US\$10.00 trillion) in 2014, down by RMB 32.4 billion from the initial estimate. It revised down 2014 growth of the services sector by 0.3% to 7.8%. After the revision, the services sector accounted for 48.1% of GDP last year, down from the previously announced 48.2%. The manufacturing and construction sector accounted for 42.7% of GDP while the farm sector accounted for 9.2%.

### ■ Tepid Japan Q2 growth, but BoJ unlikely to act on further easing before 2017

Japan's economy contracted by 0.3% in Q2, slightly less than an initial estimate of a 0.4% contraction and beating market expectations of a 0.5% decline. The BoJ is unlikely to ease monetary policy again in 2015 or in 2016, Japan's former "Mr Yen" Eisuke Sakakibara told The Business Times, rejecting the market view that the central bank could ease again before the end of this year. The BoJ will likely wait until a further increase in Japan's national sales tax is due in early 2017, before deciding whether further monetary easing is needed.

### ■ China's economic health flagged as August imports sink 13.8% from year ago

Chinese exports fell sharply for the 2nd month in a row in August, pointing to on-going weakness in external demand and raising fresh concerns about China's economy. China's trade surplus rose from US\$43.03 billion in July to US\$60.24 billion in August, beating forecast of a US\$49.35 billion surplus. But the trade data was actually very weak, as exports fell 5.5% y/y in August after declining 8.3% in July. Worse still, imports dived 13.8% y/y in August, marking the 10th consecutive decline in imports amid weak demand and prices.

### ■ More upbeat data from eurozone as Q2 growth revised up

The 19-nation eurozone grew by 0.4% in Q2, revising upward a first estimate that triggered worry the crisis in Greece had destabilised growth in Europe. Last month, Eurostat said the eurozone grew by just 0.3% in Q2, lower than what analysts had expected. Eurostat also updated the Q1 growth figure from 0.4% to 0.5%, boosted by high-growth Ireland which was not included in earlier estimates. The revised figures still demonstrate that the eurozone economy suffered a slowdown in the first half of 2015, despite a massive ECB stimulus programme to boost the fragile recovery. All members of the eurozone expanded in Q2, except France, the bloc's second biggest economy, which posted zero growth. Export champion Germany, the bloc's top economy, grew at the eurozone average, by 0.4%. Greece managed 0.9% growth in the period that was deeply marked by a political crisis dividing leftist-led Athens with its eurozone creditors.

### ■ Dovish RBNZ slashes rates for third time this year, signals further easing

The RBNZ cut of 0.25% to 2.75% was widely expected, and came in response to slowing GDP growth of 2% from 2.5% when it last cut rates due to a slump in the price of dairy products and weaker construction activity. The RBNZ retained an easing bias, concluding that some further easing in the OCR seems likely and this will depend on the emerging flow of economic data. UOB's forecast is for RBNZ to cut another 0.25% in October on the back of the slowdown in Christchurch's rebuild, as well as soft consumer and business confidence which has put an end to NZ's rock-star economy status earlier this year. Our end-2015 targets are OCR: 2.50% and NZD/USD FX at 0.60.

### ■ China's rising CPI, deepening factory deflation challenges PBOC

China's consumer prices (CPI) rose at the fastest pace in a year as a pork supply crunch drives up the cost of the staple while factory-gate deflation (PPI) deepened to the worst in almost 6 years, compounding challenges for the PBOC. The CPI increased 2% in August from a year earlier, against expectations for a 1.8% rise and following July's 1.6% gain. In particular, food prices rose 3.7% in August from a year earlier as pork increased 19.6% and vegetables 15.9%. The PPI fell 5.9%, compared with an expected 5.5% drop and after a 5.4% decline in July, extending declines to 42 straight months. China's official factory gauge fell to the lowest reading in 3 years as exports dropped.

### ■ US jobless claims drop; imported inflation remains weak

Initial claims for state unemployment benefits dropped 6,000 to a seasonally adjusted 275,000 for the week ended September 5. It was the 27th straight week that claims remained below the 300,000 threshold. The 4-week moving average of claims ticked up 500 to 275,750. Import prices fell 1.8% in August as the cost of petroleum and a range of goods dropped, after sliding 0.9% in July. It was the largest fall in 7 months and suggested a strong dollar and soft global demand continued to put downward pressure on imported inflation. Import prices have fallen in 12 of the last 14 months. In the year through August, import prices declined 11.4%, the largest drop since September 2009.

### ■ Weak US consumer sentiment, tame inflation muddy Fed rate outlook

The University of Michigan consumer sentiment index fell to 85.7 early this month, the lowest since September last year, from 91.9 in August. The Labour Department said its producer price index was unchanged in August after gaining 0.2% in July. The drag on producer prices from lower crude oil prices and a strong dollar was offset by an increase in margins for apparel, footwear and accessories retailing. In the year through August, the PPI fell 0.8% after a similar decline in July. It was the 7<sup>th</sup> straight decrease in the index.

## Market Snapshot

Selected Equity Indices	Last (Sep 11)	1-week return	Year-to-date return
Dow Jones Industrial Average	16,433.09	2.05%	-7.80%
S&P 500 Index	1,961.05	2.07%	-4.75%
FTSE 100 Index	6,117.76	1.24%	-6.83%
Euro Stoxx 50	3,187.94	0.24%	1.32%
Nikkei 225	18,264.22	2.65%	4.66%
Hang Seng Index	21,504.37	3.18%	-8.90%
Shanghai SE Composite	3,200.23	1.27%	-1.07%
BSE Sensex Index	25,610.21	1.62%	-6.87%
Straits Times Index	2,888.03	0.85%	-14.18%

Source: Bloomberg

## Week Ahead

Economic Calendar (Selected Events)				
Mon, Sep 14	Tue, Sep 15	Wed, Sep 16	Thu, Sep 17	Fri, Sep 18
	<i>Retail Sales</i>	<i>Consumer Price Index</i>	<i>Housing Starts</i>	
	Empire State Mfg Survey	Housing Market Index	<i>Jobless Claims</i>	
	<i>Industrial Production</i>	EIA Petroleum Status Report	<i>Philadelphia Fed Business Outlook Survey</i>	
	Business Inventories	Treasury International Capital	<i>FOMC Meeting Announcement</i>	
			<i>FOMC Forecasts</i>	
			<i>Fed Chair Press Conference</i>	

Red: Market moving indicator

Black: Merits extra attention

Source: Bloomberg



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