

Headlines

- [Divided and desperate Greeks vote in referendum that may decide euro future.](#) *Reuters.com, 05 Jul 2015*
- [Greece must introduce another currency if 'no' vote wins: Schulz.](#) *Reuters.com, 05 Jul 2015*
- [Cameron, Osborne, Carney to meet Monday to discuss Greek fallout.](#) *Bloomberg.com, 05 Jul 2015*
- [China intensifies steps to end US\\$3.2 trillion stock rout.](#) *Bloomberg.com, 05 Jul 2015*

Weekly Review (for week ending 03 July 2015)

■ Japan industrial production slumps in May, denting recovery

Japan's industrial output dropped more than forecast in May as production of transport equipment and cars slowed, sapping a recovery in the world's third-largest economy. Output fell 2.2% in May from April, when it increased 1.2%. Economists had forecast a 0.8% decline. The biggest contributor to the decline in production in May was passenger cars, followed by automobile parts, according to the trade ministry. Output of transport equipment fell 5.4% in May from the previous month, the biggest decline since September 2012. Manufacturers surveyed by the Ministry of Economy, Trade and Industry expect output to rise 1.5% in June and increase 0.6% in July.

■ Pending sales of US existing homes climb to 9-year high in May

Contracts to purchase previously owned US homes rose in May to a nine-year high, indicating recent strength in the real-estate industry will be sustained. The pending home sales index increased 0.9% to 112.6, the highest since April 2006, after a downwardly revised 2.7% advance in April (from 3.4% initially reported), the National Association of Realtors said. Economists had forecast the gauge to climb 1%. Economists consider pending sales a leading indicator because they track new purchase contracts. Those re-sales, which make up about 90% of the market, rose 5.1% in May to a 5.35 million annualised rate, the fastest pace since November 2009.

■ Greece defaults on €1.6 billion IMF payment

In a dramatic but widely expected step, Greece formally defaulted on a €1.6 billion payment to the IMF early Wednesday in Athens. Greece became the first developed country to default to the IMF after eurozone finance chiefs refused to grant a last-minute extension of the bailout program Greece has relied on for five years. German chancellor Angela Merkel said there would be no negotiations before the Greek referendum on Sunday to decide on whether to accept the bailout conditions (a 'YES' vote). With the imposition of capital controls to prevent the crippled banking system from collapsing, all the Greek banks remain closed for the week, with daily ATM withdrawal limits of €60. Polls shows a small majority for the 'YES' side ahead of Sunday's referendum, but with a chunk of undecided voters to fight over.

■ China June manufacturing PMI lacklustre; more stimulus expected

China's official manufacturing PMI for June came in at 50.2, unchanged from May but below expectation of 50.4, while the services PMI climbed to 53.8 from 53.2 in May. China's final HSBC/Markit manufacturing PMI contracted for the fourth straight month in June but at a slower pace than in May, at 49.4 from 49.2 in May, but was below a preliminary reading of 49.6, and remained under the 50 mark. After three months of falls, new orders returned to positive territory, but just barely at 50.3, while new export orders also picked up from May.

■ US manufacturing in June grows at the fastest pace in 5 months

Manufacturing expanded in June at the fastest pace in 5 months, indicating domestic demand is allowing America's factories to withstand sluggish overseas economies. The ISM factory index increased to 53.5 in June from 52.8 in May, and above the Bloomberg forecast of 53.2. The ISM's new orders measure improved to 56 in June, the highest this year, from 55.8 in May, while the production gauge eased to 54 from 54.5. The measure of manufacturing employment increased to 55.5, the highest since December, from 51.7 in May.

■ US non-farm payrolls rose by 223,000 in June; unemployment rate

The June US nonfarm payrolls report was a slight disappointment overall, with 223,000 increase in non-farm payrolls, against a revised 254,000 result in May, just below expectations for a 233,000 increase. As well, readings for April and May were revised lower by a combined 60,000. Goods producing industries generated just 1,000 new positions last month while job growth in services slowed to a 222,000 pace after accelerating to a 246,000 clip in May. On a more positive note, the unemployment rate moved dropped to 5.3% (consensus: 5.4%) from 5.5%, mainly from a 0.3% drop in the labour force participation rate to 62.6% - its lowest since October of 1977.

■ US initial jobless claims unexpectedly rise to 5-week high of 281,000

US Initial jobless claims for the week ending 27 June increased 10,000 to 281,000, versus the unrevised 271,000 reading seen in the week prior, above expectations for a 270,000 result. The 4-week average was reported at 274,750, up from the unrevised 273,750 reading seen in the week prior. Meanwhile, continuing claims for week ending 20 June increased to 2.264 million, versus the revised 2.247 million reading seen prior (previous 2.249 million). The insured unemployment rate held steady at 1.7%.

■ New Nikkei Singapore PMI shows improved business conditions in June

Singapore has a new gauge of how its economic winds are blowing as Markit launched the "economy-wide" PMI on Friday as one that might help fill a long-standing gap in timely information on Singapore's growing services sector. The headline Nikkei Singapore PMI, produced by Markit and covers the manufacturing, services, construction and retail sectors, rose to 51.1 in June, up from 49.5 in May. This was driven by a sharp expansion in private sector output in June, as companies hiked output due to the development and launch of new products. The existing SIPMM PMI which covers only the manufacturing sector also improved slightly in June to a reading of 50.4.

Market Snapshot

Selected Equity Indices	Last (Jul 3)	1-week return	Year-to-date return
Dow Jones Industrial Average	17,730.11	-1.21%	-0.52%
S&P 500 Index	2,076.78	-1.18%	0.87%
FTSE 100 Index	6,585.78	-2.49%	0.30%
Euro Stoxx 50	3,441.76	-4.96%	9.39%
Nikkei 225	20,539.79	-0.80%	17.70%
Hang Seng Index	26,064.11	-2.25%	10.42%
Shanghai SE Composite	3,686.92	-12.07%	13.98%
BSE Sensex Index	28,092.79	1.01%	2.16%
Straits Times Index	3,342.73	0.66%	-0.67%

Source: Bloomberg

Week Ahead

Economic Calendar (Selected Events)				
Mon, Jul 6	Tue, Jul 7	Wed, Jul 8	Thu, Jul 9	Fri, Jul 10
ISM Non-Mfg Index	<i>International Trade</i>	EIA Petroleum Status Report	<i>Jobless Claims</i>	
	JOLTS	<i>FOMC Minutes</i>		

Red: Market moving indicator

Black: Merits extra attention

Source: Bloomberg



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