

Headlines

- [In Greek crisis, one big unhappy EU family](#). *Reuters.com, 19 Jul 2015*
- [Greek banks to re-open Monday as Tsipras eyes new start](#). *Reuters.com, 18 Jul 2015*
- [China unleashes US\\$483 billion to stem the market rout](#). *Bloomberg.com, 17 Jul 2015*
- [China home price gains spread as large cities lead recovery](#). *Bloomberg.com, 18 Jul 2015*

Weekly Review (for week ending 17 July 2015)

■ An “aGreektment” on tough reforms as Alexis Tsipras accepts €86 billion bailout

Greece has agreed to tough reforms Monday after marathon talks lasting 17 hours with eurozone leaders in return for a 3-year bailout from the ESM worth up to €86 billion. However, the deal still needs to be approved by the Greek parliament first, before going to other national parliaments for approval. It seems that Tsipras has gotten some of what he wanted, namely the restructuring of Greek debt. However, Merkel has ruled out on nominal haircuts, adding that the Eurogroup is only ready to consider extending the maturity on Greek loans. The next 3 days will be very crucial. But a Grexit from the eurozone might just have been kicked down the road again.

■ China exports up 2.1% in June, imports down 6.7%

China trade rebounded in June with exports in positive territory for the first time in four months, but overall trade figures for the first six months of the year point to sluggish global shipments to and from the world's first trader in goods. Exports were up in June 2.1% after three months of contraction, while imports fell 6.7%, a smaller drop than the previous month. For June, China had a trade surplus of US\$46.5 billion, down from May's US\$59.5 billion due to higher than expected imports. Trade improved after a poor performance since the beginning of the year as shipments to and from China were hurt by low commodity prices, soft global demand, a slowing domestic economy and stronger currency. The growth in trade surplus is due to the drop in commodity prices rather than a healthy export sector.

■ Singapore Q2 GDP grows 1.7% year-on-year, below expectations

The Singapore economy performed worse than the market had expected in Q2 according to flash GDP estimates, expanding 1.7% from a year ago, and well below expectations of 2.4%. This was slower than the 2.8% growth seen in Q1. Growth momentum also fell off sharply, to -4.6% q/q SAAR, underperforming expectation of -1.5% and +4.2% (revised from 3.2%) in Q1. The main drag was from manufacturing sector, which declined 4% y/y, though services sector turned in an in-line 3% y/y expansion but slowed from 4.2% growth in Q1.

■ US June retail sales dip dampens consumer spending optimism

Sales at US retailers unexpectedly dropped in June, upending optimism about the strength of the rebound in consumer spending during Q2. Purchases decreased 0.3% after a 1% advance (downwardly revised from 1.2%) in May. 8 of 13 major retail categories showed declines in demand. Retail sales excluding autos fell 0.1% after a 0.8% increase in May. Core sales, the figures that are used to calculate GDP and which exclude such categories as autos, gasoline stations and building materials, declined 0.1% last month after increasing 0.7% in May. An early Memorial Day holiday probably contributed to boosting sales in May at the expense of June. Averaging May and June, retail sales climbed 0.15% excluding autos and gasoline, matching the average gain over the first four months of the year.

■ China's Q2 GDP growth flat at 7.0% on-year

China's GDP expanded 7.0% year-on-year in Q2, beating expectations of 6.8%, but with weak investment and trade dragging on its economy. It has largely failed to pick up momentum this year and its growth slowdown has been a major factor in a global fall in commodity prices. Fixed asset investment, a measure of government spending on infrastructure, expanded 11.4% in January-June year-on-year, the same as for the first five months of the year and remaining at its lowest since 2000. Industrial output, which measures production at factories, workshops and mines, rose 6.8% year-on-year in June, from May's 6.1%, and ahead of expectations for 6.0%.

■ Yellen favours tightening in a 'prudent and gradual' manner

Federal Reserve Chair Janet Yellen told lawmakers that waiting too long to raise interest rates holds risks for the US economy, along with tightening too quickly. Holding rates near zero has another disadvantage, as it leaves the central bank little room to respond to an unexpected blow to the economy. Yellen said she expects to see further gains in wages and that the Fed won't wait until inflation reaches its 2% goal to raise rates. Yellen repeated that she expects the Fed to raise its benchmark rate this year in a prudent and gradual manner.

■ US consumer prices rose 0.3% in June; annual inflation moves into positive territory

US consumer prices rose for a fifth straight month in June as the cost of gasoline and a range of other goods increased, further signs of firming inflation that strengthen the case for an interest rate hike this year. The CPI rose 0.3% in June after increasing 0.4% in May. Last month's increase pushed the year-on-year CPI rate into positive territory for the first time since December. Prices rose 0.1% compared with a year earlier; it was unchanged in May and had fallen 0.2% in April. The so-called core CPI, which strips out food and energy costs, increased 0.2% last month after rising 0.1% in May. In the 12 months through June, the core CPI rose 1.8% after May's 1.7% increase.

■ Strong US ground breaking, building permits boost housing outlook

US housing starts (ground breaking) increased 9.8% to a seasonally adjusted annual pace of 1.17 million units and above expectations for a 1.11 million pace. May's starts were upwardly revised to a 1.07 million-unit rate (from 1.04 million). Permits for future home construction increased 7.4% to a 1.34 million-unit rate, the highest level since July 2007. Permits have been above a 1 million-unit pace since July.

Market Snapshot

Selected Equity Indices	Last (Jul 17)	1-week return	Year-to-date return
Dow Jones Industrial Average	18,086.45	1.84%	1.48%
S&P 500 Index	2,126.64	2.41%	3.29%
FTSE 100 Index	6,775.08	1.52%	3.18%
Euro Stoxx 50	3,670.34	4.01%	16.65%
Nikkei 225	20,650.92	4.40%	18.34%
Hang Seng Index	25,415.27	2.06%	7.67%
Shanghai SE Composite	3,957.35	2.05%	22.34%
BSE Sensex Index	28,463.31	2.90%	3.51%
Straits Times Index	3,353.45	2.24%	-0.35%

Source: Bloomberg

Week Ahead

Economic Calendar (Selected Events)				
Mon, Jul 20	Tue, Jul 21	Wed, Jul 22	Thu, Jul 23	Fri, Jul 24
		<i>Existing Home Sales</i>	<i>Jobless Claims</i>	PMI Manufacturing Index Flash
		EIA Petroleum Status Report		<i>New Home Sales</i>

Red: Market moving indicator

Black: Merits extra attention

Source: Bloomberg



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