

Headlines

- [Europe's fragile economy put to test as Ukraine, Iraq sour mood](#). Reuters.com, 10 August 2014
- [Erdogan sets course for 'new Turkey' as Turks vote for president](#). Reuters.com, 10 August 2014
- [China inflation remains below annual target](#). Bloomberg.com, 10 August 2014
- [Luxembourg to meet investors before debut Islamic bond sale](#). Bloomberg.com, 10 August 2014

Weekly Review (for week ending 08 August 2014)

■ China services PMI shrinks to 9-year low

Growth in China's services sector slowed sharply last month to its lowest level in nearly nine years, indicating a recovery in the broader economy is still fragile and may need further government support. The HSBC/Markit services PMI, fell to 50 in July from June's 15-month high of 53.1, the lowest reading since November 2005. Weakness was also seen in China's official services report earlier, which showed activity slipped to a six-month low as a cooling property sector increasingly drags on its economy. In a sign that economic uncertainty has made companies more reluctant to spend, a sub-index measuring new business growth hit a 68-month low of 50.3 last month.

■ July global business activity picked up at fastest pace since Feb 2011

Global business activity picked up last month at its fastest pace since early 2011 as sustained strengthening in the service industry offset a mild deceleration in factory output. JP Morgan's Global All-Industry Output Index, produced with Markit, rose to 55.5 from June's 55.4, holding above the 50 mark for the 22nd month running and chalking up its highest reading since February 2011. The July manufacturing and service sector PMI surveys signal a robust start to the second half of the year. Taken together, the July surveys point to global GDP growth running well above its trend in Q3. That trend may well continue as a new orders index stayed strong at 54.5, albeit down from June's 40-month high of 55.9. The robust US and British economies underpinned global growth.

■ Italy slides back into recession as Q2 GDP unexpectedly falls 0.2% q/q

Italy's economy unexpectedly slid back into recession in the second quarter as GDP shrank 0.2% from Q1, preliminary data showed on Wednesday. The result was below analysts' forecasts, which had pointed to a Q2 GDP gain of 0.2%. GDP fell 0.3% year-on-year in Q2, below a median forecast for a 0.1% gain. Italy's economy, the eurozone's third-biggest, grew by just 0.1% in Q4 of last year, expanding for the first time since mid-2011. But in Q1 of 2014 the economy again shrank by 0.1%.

■ US trade deficit unexpectedly falls as imports drop

The US June trade deficit unexpectedly narrowed to US\$41.5 billion from a revised US\$44.7 billion in May, at a 5-month low and the second monthly decline in a row. The narrower deficit was due to a surprise 1.2% m/m decline in imports (consumer goods, automotive parts, industrial supplies and materials) to US\$237.4 billion while exports added another 0.2% (US\$300 million) to a fresh record of US\$195.9 billion. Petroleum imports continued to decline as the US produces more oil and gas at home.

■ Australia's jobless rate jumped to 12-year high of 6.4% in July

Australia's jobless rate jumped to a 12-year high in July, surpassing the US level for the first time since 2007 and sending the Aussie dollar tumbling. The unemployment rate rose to 6.4% from 6%, the ABS said, versus the median estimate for unemployment to hold steady. The number of people employed fell by 300. The number of full-time jobs increased by 14,500 in July, and part-time employment fell 14,800. The participation rate, a measure of the labour force in proportion to the population, climbed to 64.8% in July from 64.7% a month earlier.

■ US jobless claims fall to 289,000; a new sign of an improving labour market

New applications for unemployment benefits fell last week to this year's second-lowest level, a new sign of an improving labour market. Initial claims for unemployment benefits decreased by 14,000 to a seasonally adjusted 289,000 in the week ended August 2, after an upwardly revised 303,000 in the prior week. That was lower than the 300,000 new claims forecast by economists. Applications for unemployment benefits, a proxy for layoffs, have been trending sharply lower this year. The four-week moving average of claims, which smooths out weekly volatility, decreased by 4,000 to 293,500. That marked the best four weeks of claims data since February 2006.

■ Bank of Japan holds fire on stimulus, warns over exports

The BoJ on Friday warned the country's export and factory output picture was worsening but it held fire on launching more stimulus, saying the economy was still on a path to recovery. As expected it pledged to increase the monetary base at an annual pace of ¥60 trillion to ¥70 trillion (US\$687 billion). The BoJ acknowledged potential headwinds, saying that exports were declining while factory output "has shown some weakness", after data showed Japan's trade deficit more than quadrupled in June from a year ago. It offered a mixed picture, saying that jobs and wage growth were "improving steadily", with demand picking up after initially dropping in the wake of the tax hike.

■ China's July trade surplus almost triples to US\$47.3 billion

China's monthly trade surplus leaped to US\$47.3 billion in July, nearly tripling year-on-year, as exports from the world's second-largest economy jumped while imports surprisingly declined. The figure is believed to be a record for any month. Exports increased 14.5% year-on-year to US\$212.9 billion, while imports decreased 1.6% to US\$165.6 billion. The surplus, which compared with one of US\$17.8 billion during the same month last year, far exceeded the median forecast of US\$27.7 billion. Export growth accelerated from June's gain of 7.2% and beat expectations of 8.0%. However imports, which had gained 5.5% in June, failed to match the forecast of a 3.0% increase.

Market Snapshot

Selected Equity Indices	Last (Aug 8)	1-week return	Year-to-date return
Dow Jones Industrial Average	16,553.93	0.37%	-0.14%
S&P 500 Index	1,931.59	0.33%	4.50%
FTSE 100 Index	6,567.36	-1.67%	-2.69%
Euro Stoxx 50	3,006.83	-2.14%	-3.29%
Nikkei 225	14,778.37	-4.80%	-9.29%
Hang Seng Index	24,331.41	-0.82%	4.40%
Shanghai SE Composite	2,194.42	0.42%	3.71%
BSE Sensex Index	25,329.14	1.87%	19.64%
Straits Times Index	3,288.89	-1.66%	3.83%

Source: Bloomberg

Week Ahead

Economic Calendar (Selected Events)				
Mon, Aug 11	Tue, Aug 12	Wed, Aug 13	Thu, Aug 14	Fri, Aug 15
	Treasury Budget	<i>Retail Sales</i>	<i>Jobless Claims</i>	<i>PPI-FD</i>
		Business Inventories	Import and Export Prices	Empire State Mfg Survey
		EIA Petroleum Status Report		Treasury International Capital
				<i>Industrial Production</i>
				Consumer Sentiment

Red: Market moving indicator

Black: Merits extra attention

Source: Bloomberg



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