

Headlines

- [Gold posts biggest weekly rise since late Feb.](#) *Reuters.com, 27 Apr 2012*
- [Juncker says will talk to Hollande about keeping fiscal pact.](#) *EUBusiness.com, 29 Apr 2012*
- [Pound gains for second week on bets BOE will pause QE.](#) *Bloomberg.com, 28 Apr 2012*
- [Employment probably picked up in April: US economy preview.](#) *Bloomberg.com, 29 Apr 2012*

Weekly Review (for week ending 27 April 2012)

■ HSBC Flash PMI shows China factory activity stabilizing

The preliminary HSBC China Manufacturing PMI, a gauge of nationwide manufacturing activity, rose to a two-month high of 49.1 in April compared with a final reading of 48.3 in March, HSBC said Monday. But the "flash" reading for the month was in contractionary territory for the sixth straight month, and that signals economic growth may still need government help. As April flash PMI ticked higher, it suggests that the earlier easing measures have started to work and hence should ease concerns of a sharp growth slowdown.

■ Singapore March CPI rises 5.2%, above expectations

Singapore's consumer price index rose 5.2% in March from a year earlier, the government said on Monday, accelerating from February's 4.6% pace due to a jump in car prices. However, core inflation rose 2.9%, slowing from February's 3.0% increase. Headline inflation "could average around 5% year-on-year in the first half before easing gradually in the second half of 2012," the MTI and the MAS said in a joint statement. Accommodation costs will remain the largest contributor to inflation this year as "leasing contracts continue to be renewed at rentals that are considerably higher than those under existing contracts, especially in the HDB segment".

■ Spain dives back into recession in Q1, GDP dips by estimated 0.4%

Spain's jobs-scarce economy plunged back into recession in Q1 of 2012 as employment slumped even further, the Bank of Spain said Monday. GDP fell by an estimated 0.4% in Q1 of 2012 after a 0.3% decline in Q4 of 2011. The government forecasts that the jobless rate will hit 24.3% this year as the sagging economy struggles to absorb millions of jobs destroyed in the collapse of a property boom in 2008.

■ Australia's PPI and CPI inflation rate has eased by more than economists expected

Australia's producer prices fell unexpectedly in Q1 as a strong Aussie dollar helped drive down import prices, setting the scene for a benign reading on consumer inflation and a cut in interest rates next week. The PPI dropped 0.3% in Q1, confounding forecasts of a 0.4% increase and the first fall in more than two years. Annual growth in prices slowed sharply to 1.4%, from 2.9%, the lowest reading in seven quarters. The CPI rose 0.1% in the March quarter, for an annual inflation rate of 1.6%, down from 3.1% previously, the ABS said on Tuesday. Economists' forecasts for the headline CPI had centred on a rise of 0.7% in the quarter, for an annual pace of 2.1%.

■ UK in double-dip recession as economy shrinks 0.2% in Q1

The UK economy shrank 0.2% in Q1 as construction output slumped, pushing Britain into its first double-dip recession since the 1970s. This follows from Q4 of 2011 when it shrank 0.3%. The economy was unchanged from a year earlier. The fall in GDP in Q1 was due to a 3% drop in construction, the most since the first quarter of 2009, and a 0.4% decline in industrial production. Manufacturing contracted 0.1%. Services, the largest part of the economy, expanded by 0.1%, boosted by transport, storage and communication. Rising energy prices, government spending cuts and anaemic wage growth are squeezing consumers, creating a drag on the recovery.

■ No major shifts at Fed policy meeting

The FOMC left the fed funds rate unchanged around a 0.25-0.00% range, reiterating that economic conditions are likely to warrant exceptionally low levels for the fed funds rate at least through late-2014. Overall, the policy statement was nearly identical to the one in March, with no hints about the need for additional easing in the near term. At the press conference, Bernanke said US monetary policy was "more or less in the right place" even though the central bank would not hesitate to launch another round of bond purchases if the economy were to weaken. The economic projections issued by the FOMC reinforced the impression provided by the statement. The Fed now expects higher GDP forecasts for 2012 and declines in the unemployment rate, coupled with higher core inflation outlooks.

■ S&P downgrades Spain by 2 notches to BBB+

Standard & Poor's has cut the sovereign credit rating of Spain by two notches to "triple-B plus" and placed the country on a negative outlook, saying it also expected the country's economy to contract 1.5% during 2012 and contract 0.5% in 2013. The agency said a further downgrade was possible should Spain's net general government debt rise above 80% of GDP between now and 2014.

■ Spanish unemployment hits record 5.64 million at 24.4% rate

The number of unemployed Spaniards reached 5,639,500 at the end of March, with the unemployment rate hitting 24.4%. The yield on 10-year bonds rose to 5.96%, up from 5.81%, suggesting investors were becoming more wary of Spain's ability to repay its debts.

■ US economic growth shrinks to 2.2% in Q1 advance reading

US economic growth slowed sharply to 2.2% in the first quarter, compared with 3.0% in Q4 of 2011, rekindling fears of a fresh spring stumble and framing the first steps of the general presidential election race. Wall Street consensus had been 2.5% growth. Lower government spending alone shaved 0.6 points of the GDP total, and imports also increased. US unemployment currently stands at 8.2%.

Market Snapshot

Selected Equity Indices	Last (Apr 27)	1-week return	Year-to-date return
Dow Jones Industrial Average	13,228.31	1.53%	8.27%
S&P 500 Index	1,403.36	1.80%	11.59%
FTSE 100 Index	5,777.11	0.09%	3.68%
Euro Stoxx 50	2,344.02	1.42%	1.19%
Nikkei 225	9,520.89	-0.42%	12.60%
Hang Seng Index	20,741.45	-1.28%	12.51%
Shanghai SE Composite	2,396.32	-0.44%	8.95%
BSE Sensex Index	17,159.65	-1.23%	11.03%
Straits Times Index	2,981.58	-0.43%	12.67%

Source: Bloomberg

Week Ahead

Economic Calendar (Selected Events)				
Mon, Apr 30	Tue, May 1	Wed, May 2	Thu, May 3	Fri, May 4
<i>Personal Income and Outlays</i>	<i>ISM Mfg Index</i>	ADP Employment Report	<i>Jobless Claims</i>	<i>Employment Situation</i>
Chicago PMI	Construction Spending	Factory Orders	Productivity and Costs	
Dallas Fed Mfg Survey		EIA Petroleum Status Report	ISM Non-Mfg Index	

Red: Market moving indicator

Black: Merits extra attention

Source: Bloomberg



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