

## Headlines

- [Central Banks to hold fire... for now](#). *Reuters.com, 02 Jun 2012*
- [Spain calls for new euro fiscal authority](#). *Reuters.com, 03 Jun 2012*
- [China's non-manufacturing industries grow at slower pace](#). *Bloomberg.com, 03 Jun 2012*
- [Merkel rejects debt sharing as Obama urges Europe action](#). *Bloomberg.com, 03 Jun 2012*

## Weekly Review (for week ending 01 June 2012)

### ■ US consumer confidence falls to eight-month low

The Consumer Confidence Index, published by the Conference Board, fell to 64.9, down from 68.7 in April, reaching an eight-month low in May as fears about the global economy hit sentiment. May's confidence figure was weaker than expected, with economists predicting a figure of about 70. The figure is watched closely because consumer spending accounts for about 70% of US economic activity.

### ■ China sets mini-stimulus package in motion

China is rolling out a mini-stimulus to fight its economic slump but is moving cautiously after its massive response to the 2008 global crisis left a painful hangover of inflation and debt. Beijing has yet to announce a total price tag. But measures announced piecemeal in recent weeks include 66 billion yuan (\$13.3 billion) to build affordable housing and 26.5 billion yuan to subsidise sales of energy-efficient appliances. Analysts say the measures should be enough to drive a rebound and keep growth for the year at or slightly above 8%. The IMF and the World Bank are forecasting 8.2% growth this year, still higher than the official target of 7.5%.

### ■ EC calls for big changes across eurozone

The EC called for big changes throughout the eurozone as it placed Spain at the head of a critical list of 12 economies ordered to carry out major reforms this year. The EU executive said that eurozone-wide bank deposit guarantees were now essential as investor concerns homed in on wayward Spanish public finances, locked in a spiral of recession and massive unemployment. The eurozone's permanent bailout fund, the European Stability Mechanism (ESM), which comes into force in July, cannot lend directly to banks, only to sovereigns, even if only for the specific purpose of bank recapitalisation. To change that, eurozone countries would have to change the treaty on which the ESM is based and which some eurozone countries have already ratified. Time is running short to do that, especially with the rapidly mounting problems in Spain. Germany also strongly opposes allowing the ESM to directly recapitalise banks - an option that Spain wants.

### ■ US pending homes sales fall 5.5% in April

Contracts to purchase previously owned US homes unexpectedly fell 5.5% in April to 95.5, its lowest level since December, undermining some of the recent optimism that the housing sector was touching bottom. Economists polled by Reuters had expected signed contracts, which lead existing home sales by a month or two, to rise 0.1% after a previously reported 4.1% gain. The housing market has been one of the US economy's weakest links as it recovers from the 2007-09 recession, but many economists think the sector will actually add to economic growth in 2012 for the first time since 2005. The report on pending contracts in April could temper some of that optimism.

### ■ Singapore April bank lending up 0.6% from March

Total bank lending in Singapore rose 0.6% in April, down from 1.5% in March as loans to businesses slowed sharply. Bank lending was S\$435.3 billion, up from S\$432.6 billion in March. Bank lending rose 24% in April from a year earlier. Housing loans to consumers rose to S\$136.1 billion in April from S\$134.8 billion in March; this increase of 0.9% is similar to the 0.8% increase in the two preceding months.

### ■ US economy in Q1 expanded less than earlier estimated

The US economy grew more slowly in the first quarter than previously estimated, reflecting smaller gains in inventories and bigger government cutbacks. GDP growth climbed at a 1.9% annual rate from January through March (Q1), down from a 2.2% prior estimate, revised Commerce Department figures showed Thursday. The economy had expanded at a 3% rate in the prior three months (Q4 2011). Spending by state and local government agencies dropped at a 2.5% annual rate in the Q1, more than twice the 1.2% decline initially reported. Consumer spending at retailers and car dealerships kept the economy moving forward just as business investment cooled, showing why the economy needs to generate bigger job gains to sustain the expansion.

### ■ Germans ease austerity pace for Spain, markets in turmoil

Germany softened its drive for austerity across the eurozone on Friday, agreeing to allow Spain more time to cut its deficit while its battles a deepening bank crisis, capital flight and recession. Spain revealed that investors had moved a record net 66.4 billion euros out of the country in March, before the sudden nationalisation of ailing lender Bankia, its fourth-largest bank. Officials close to Chancellor Angela Merkel have told Reuters that some budget goals now look unrealistic and need adjusting to reflect unexpected economic weakness.

### ■ Poor US jobs data, unemployment edges up

The US unemployment rate edged up to 8.2% in May, the first increase in almost a year and the 69,000 jobs gained was the smallest number since May 2011. The Fed is close to completing its program to replace \$400 billion of shorter-term debt in its holdings with longer maturities to support the economy by keeping down borrowing costs. The program, known as Operation Twist, ends this month. The Fed bought \$2.3 trillion of debt in two rounds of quantitative easing since the subprime-mortgage crisis that have become known as QE1 and QE2. The probability of more central bank policy action is 80%, up from 50% before Friday's jobs report, Morgan Stanley said in a report.

## Market Snapshot

Selected Equity Indices	Last (Jun 1)	1-week return	Year-to-date return
Dow Jones Industrial Average	12,118.57	-2.70%	-0.81%
S&P 500 Index	1,278.04	-3.02%	1.63%
FTSE 100 Index	5,260.19	-1.71%	-5.60%
Euro Stoxx 50	2,068.66	-4.31%	-10.70%
Nikkei 225	8,440.25	-1.63%	-0.18%
Hang Seng Index	18,558.34	-0.83%	0.67%
Shanghai SE Composite	2,373.44	1.71%	7.91%
BSE Sensex Index	15,965.16	-1.56%	3.30%
Straits Times Index	2,745.71	-0.98%	3.75%

Source: Bloomberg

## Week Ahead

Economic Calendar (Selected Events)				
Mon, Jun 4	Tue, Jun 5	Wed, Jun 6	Thu, Jun 7	Fri, Jun 8
Factory Orders	ISM Non-Mfg Index	Productivity and Costs  EIA Petroleum Status Report  Beige Book	<i>Jobless Claims</i>	<i>International Trade</i>

*Red: Market moving indicator*

Black: Merits extra attention

Source: Bloomberg



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