

Monday, 29 April 2013

Weekly Update

Headlines

- [Stalemate over, Italy's Letta names new government](#). *Reuters.com*, 28 Apr 2013
- [Europe austerity debate to test periphery political will](#). *Reuters.com*, 28 Apr 2013
- [Australia's Swan rejects 'mindless austerity' ahead of budget](#). *Bloomberg.com*, 27 Apr 2013
- [China industrial companies' profit growth slows as economy cools](#). *Bloomberg.com*, 28 Apr 2013

Weekly Review (for week ending 26 April 2013)

■ China HSBC Flash PMI eases, points to tepid second recovery

Growth in China's vast factory sector dipped in April as new export orders shrank, a preliminary survey of factory managers showed on Tuesday, suggesting the world's second-largest still faces formidable global headwinds into the second quarter. The flash HSBC PMI for April fell to 50.5 in April from 51.6 in March but was still stronger than February's reading of 50.4. Still, the HSBC PMI has been above the 50-point level since November 2012 though its failure to break above 53 indicates that the economic expansion it signals is only moderate. The final HSBC manufacturing PMI is scheduled to be published on May 2, a day after the official China PMI.

■ Singapore inflation eases to 3.5% in March, down from 4.9% in February

Singapore's inflation (CPI) in March rose a slower than expected 3.5%, after rising 4.9% in February. Economists were expecting inflation of 3.75% due to a drop in car prices. March's lower inflation was due to smaller price increases across all major categories in the index, with an easing in private road transport cost accounting for the bulk of the moderation. Private road transport cost rose by 8.6% in March, down from 17.4% a month earlier, reflecting weaker COE premiums in February and price adjustments by car dealers following the introduction of financing restrictions on motor vehicle loans. The MAS core inflation measure eased to 1.7% in March, from 1.9% in February due to moderate increases in the costs of food and services as well as a decline in the prices of oil-related items.

■ Sales of new US homes rose 1.5% in March

Sales of new homes in the US rebounded in March to a seasonally adjusted annual rate of 417,000. The increase added to evidence of a sustained housing recovery at the start of the spring buying season. The Commerce Department said that sales of new homes increased 1.5%. The gain brought the level higher than February's pace of 411,000, though below January's 445,000 the fastest pace since July 2008. New-home sales are still below the 700,000 pace considered healthy by most economists. But the pace has increased 18.5% from a year ago. Most economists see more gains ahead, as housing is likely to remain a consistent driver of economic growth this year.

■ Orders for US durable goods fall 5.7%

Orders for long-lasting US manufactured goods recorded their biggest drop in seven months in March as demand slumped for commercial aircraft and business investment cooled, signs of a slowdown in economic activity. Durable goods orders slumped 5.7% as demand fell almost across the board, the Commerce Department said Wednesday. The drop last month in orders for these goods, which range from toasters to aircraft, followed a 4.3% increase in February. Economists had expected orders to fall only 2.8%.

■ Australia to invest forex reserves in yuan

Australia's central bank plans to invest some of its foreign currency reserves in Chinese government bonds for the first time, part of a wider move to deepen financial ties with the country's biggest trading partner. RBA deputy governor Philip Lowe said the bank intended to hold around 5% of its foreign currency assets in China and had already gained approval from its Chinese counterpart, the People's Bank of China (PBOC). The RBA's foreign currency reserves are currently worth around A\$38.2 billion. Mr Lowe also said a A\$30 billion currency swap agreement that was established last year will be available to all authorised deposit-taking institutions in Australia. If ever activated, the RBA would charge banks 25 basis points over the Shanghai Interbank Offered Rate (Shibor) to borrow yuan.

■ UK avoids triple-dip recession with better-than-expected 0.3% GDP growth

Chancellor George Osborne has welcomed news that Britain's economy expanded by a stronger-than-expected 0.3% in Q1 of 2013, avoiding a triple-dip recession. The first estimate from the ONS showed that a healthy performance from the services sector helped GDP growth to beat the 0.1% expected by economists. The key services sector expanded by 0.6% on the quarter, while industrial production also grew, by 0.2% – though much of that was accounted for by North Sea output. The struggling construction sector declined by 2.5%.

■ Spain's unemployment rate climbs to record high 27.2%

The number of jobless people in Q1 climbed by 237,400 to a record 6.2 million in Spain amid a double dip recession, raising the jobless rate in the eurozone's fourth biggest economy to 27.2% from 26.02% in the previous quarter. Spain's jobless rate fell to an almost 30-year low of 7.95% in Q2 of 2007 at the peak of an economic boom that allowed the country to create more than half the new jobs in the eurozone between 2002 and 2005. The jobless rate has risen steadily every quarter since the country's housing market collapsed in 2008.

■ US Q1 GDP rises 2.5%, misses forecast as economic growth momentum slows

The US economy expanded 2.5% in Q1, below expectations for 3.0% growth. However, consumer spending which accounts for more than two-thirds of US economic activity was the primary driver of growth, hitting 3.2%, better than expectations for 2.8% growth. The second estimate for Q1 GDP will be released on May 30, 2013. The US economy has now grown for 15 consecutive quarters, but the average pace -- just above 2% annually -- is weak by historical standards. The Fed is expected to keep monthly asset purchases at US\$85 billion.

Market Snapshot

Selected Equity Indices	Last (Apr 26)	1-week return	Year-to-date return
Dow Jones Industrial Average	14,712.55	1.13%	12.27%
S&P 500 Index	1,582.24	1.74%	10.94%
FTSE 100 Index	6,426.42	2.22%	8.96%
Euro Stoxx 50	2,683.43	4.20%	1.80%
Nikkei 225	13,884.13	4.26%	33.56%
Hang Seng Index	22,547.71	2.43%	-0.48%
Shanghai SE Composite	2,177.91	-2.97%	-4.02%
BSE Sensex Index	19,286.72	1.42%	-0.72%
Straits Times Index	3,348.87	1.66%	5.74%

Source: Bloomberg

Week Ahead

Economic Calendar (Selected Events)				
Mon, Apr 29	Tue, Apr 30	Wed, May 1	Thu, May 2	Fri, May 3
<i>Personal Income and Outlays</i>	Employment Cost Index	Motor Vehicle Sales	<i>International Trade</i>	<i>Employment Situation</i>
Pending Home Sales Index	S&P Case-Shiller HPI	ADP Employment Report	<i>Jobless Claims</i>	Factory Orders
Dallas Fed Mfg Survey	Chicago PMI	PMI Manufacturing Index	Productivity and Costs	ISM Non-Mfg Index
	Consumer Confidence	<i>ISM Mfg Index</i>		
		Construction Spending		
		EIA Petroleum Status Report		

Red: Market moving indicator

Black: Merits extra attention

Source: Bloomberg



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