

Headlines

- [With caution, Japan's neighbours welcome 'Abenomics'](#). *Reuters.com, 05 May 2013*
- [Buffett 2013: David Stockman's wrong; no stock market bubble \(video 5:06\)](#). *Reuters.com, 04 May 2013*
- [Gillard says Aussie's strength forces 'grave' budget decisions](#). *Bloomberg.com, 05 May 2013*
- [White House rescinds US\\$4.9 billion in 2013 spending cuts](#). *Bloomberg.com, 04 May 2013*

Weekly Review (for week ending 03 May 2013)

■ Eurozone economic confidence falls more than forecast

Economic confidence in the euro area decreased more than economists forecast in April as the 17-nation currency bloc struggled to emerge from a recession and the bailout of Cyprus renewed debt-crisis concerns. An index of executive and consumer sentiment dropped to 88.6 from a revised 90.1 in March, the European Commission in Brussels said. That's the lowest since December. Economists had forecast a decline to 89.3. A gauge of sentiment among European manufacturers fell to minus 13.8 from minus 12.3 in March. An indicator of services confidence dropped to minus 11.1 from minus 7, while consumer sentiment improved to minus 22.3 from minus 23.5.

■ Surprise rise in US consumer spending spells hope

US consumer spending unexpectedly rose in March as benign inflation supported household's spending power, a hopeful sign for an economy that lost significant momentum towards the end of Q1. The Commerce Department said that consumer spending advanced 0.2% last month after an unrevised 0.7% increase in February. Economists had expected that spending, which accounts for about 70% of US economic activity, would be flat last month. Output in Q1 was boosted by a brisk 3.2% increase in consumer spending, despite the ending in January of a 2% payroll tax cut. The rise offered hope that growth in Q2 would probably not slow as sharply as currently feared.

■ Eurozone unemployment hits record 12.1% in March

Eurozone unemployment hit a fresh record of 12.1% in March, with 19.2 million people on the dole as recession deepened. The jobless rate climbed for a 23rd consecutive month as an extra 62,000 people joined unemployment queues in the 17-nation eurozone. In the full 27-member EU, 26.5 million people were out of work in March, or 10.9%, as 69,000 extra workers went on the dole. The unemployment rate a year earlier was 11.0% in the eurozone and 10.3% in the EU.

■ China's manufacturing sector decelerates as PMI weakens

China's National Bureau of Statistics published its April manufacturing PMI report on Tuesday showing that the headline number fell to 50.6 from 50.9 in March. Economists were looking for a reading of 50.7. The final HSBC PMI published on Thursday dropped to 50.4 in April from March's 51.6 and was largely in line with a flash reading last month of 50.5. The slower growth of manufacturing activity in April confirmed a fragile growth recovery of the Chinese economy as external demand deteriorated and renewed destocking pressures built up.

■ Singapore jobless rate edges up to 1.9% in March

Singapore's unemployment rate, seasonally adjusted, edged up to 1.9% in March 2013, from 1.8% in December 2012. Over the same period, the unemployment rate for residents rose to 2.9% from 2.7%, while the citizen unemployment rate was unchanged at 2.9%. Job creation has also slowed in Q1 amid continued weakness in the economy and the foreign worker tightening measures, said the ministry. Total employment growth moderated to 20,800 in Q1, below the seasonally high gain of 44,000 in Q4 of 2012. It is also the lowest Q1 gain post-2009. The month of March registered a 3.8% year-on-year growth in total employment, however, said MOM.

■ ECB cuts interest rate to record low of 0.5%

ECB President Mario Draghi finally conceded and cut the benchmark refinancing rate by 25bps to a new record low of 0.5% on the back of the eurozone recession worsening as shown by the latest economic indicators (eurozone PMI below 50 since August 2011, while latest unemployment rose to a record 12.1% and inflation slowed to 1.2%, the lowest since 2010). This was the first rate cut since July 2012. Draghi said that policy makers have an "open mind" on reducing their deposit rate below 0% for the first time. Presently, the ECB deposit rate is at 0% since July 2012 and Draghi has opened the possibility that ECB can further shift its potential floor for its interest rate policy.

■ US trade deficit narrows 11% in March on weak imports

The US trade deficit fell more than expected in March as imports recorded their biggest drop since 2009, the latest sign of slowing domestic demand. The Commerce Department said that the trade gap narrowed 11% to US\$38.8 billion - the second smallest since January 2010 from February's upwardly revised shortfall of US\$43.6 billion. Exports fell 0.9% to US\$184.3 billion as sales of machinery, autos and farm products declined. Imports fell 2.8% to US\$223.1 billion, led by a 4.4% drop in foreign petroleum. The economy grew at a 2.5% annual rate in Q1 and the smaller-than-expected trade gap could cause the government to revise higher the Q1 GDP estimate.

■ US adds 165,000 jobs in April, unemployment rate ticks down to 7.5%

The US economy added 165,000 jobs in April, and the unemployment rate fell from 7.6% to 7.5%, its lowest level since December 2008, the Labour Department said on Friday. The better-than-expected monthly jobs data also showed much stronger hiring in February and March with an additional 114,000 more jobs generated. The job gains were all in the private sector, as the government continued to shed jobs amid tough "sequester" spending cuts. But the overall number of people counted as officially unemployed was little changed at 11.7 million. US stocks soared to new closing records on Friday after the strong US jobs report revived confidence in the economic recovery.

Market Snapshot

Selected Equity Indices	Last (May 3)	1-week return	Year-to-date return
Dow Jones Industrial Average	14,973.96	1.78%	14.27%
S&P 500 Index	1,614.42	2.03%	13.20%
FTSE 100 Index	6,521.46	1.48%	10.57%
Euro Stoxx 50	2,763.68	2.99%	4.85%
Nikkei 225	13,694.04	-1.37%	31.73%
Hang Seng Index	22,689.96	0.63%	0.15%
Shanghai SE Composite	2,205.50	1.27%	-2.80%
BSE Sensex Index	19,575.64	1.50%	0.77%
Straits Times Index	3,369.90	0.63%	6.40%

Source: Bloomberg

Week Ahead

Economic Calendar (Selected Events)				
Mon, May 6	Tue, May 7	Wed, May 8	Thu, May 9	Fri, May 10
		EIA Petroleum Status Report	<i>Jobless Claims</i>	Treasury Budget

Red: Market moving indicator

Black: Merits extra attention

Source: Bloomberg



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