

## Headlines

- [G7 to press on with bank reforms. Japan escapes censure.](#) *Reuters.com, 11 May 2013*
- [Germany pushing for faster reform in euro zone: magazine \(Spiegel\).](#) *Reuters.com, 12 May 2013*
- [Australian treasurer says strong dollar delays return to surplus.](#) *Bloomberg.com, 12 May 2013*
- [Retail sales probably declined in April: US Economy Preview.](#) *Bloomberg.com, 12 May 2013*

## Weekly Review (for week ending 10 May 2013)

### ■ Eurozone business downturn points to deeper Q2 recession

The eurozone's business downturn dragged on in April, suggesting the region may be falling deeper into recession this quarter. The PMIs showed that Germany is now suffering a contraction in business activity that has long dogged France, Italy and Spain. Markit's Eurozone Composite PMI, which is seen as a good gauge of economic conditions, edged up in April to 46.9 from 46.5 in March, an improvement on an initial reading of 46.5. Economists expect negligible growth this quarter, but the PMIs suggest even that view may be too optimistic.

### ■ RBA cuts interest rates to record low 2.75%

RBA Governor Glenn Stevens cut the overnight cash-rate by 0.25% to a record low 2.75%, saying that the Aussie's record strength is unusual given the decline in export prices and interest rates. The RBA said that the below-trend economic growth from the second half of 2012 continued into 2013, and that the global economy is also likely to record growth a little bit below trend. The report centred on forward-looking risks for the RBA. Future moves will not only be dependent on the domestic situation, but also on the external environment. With the latest rate cut, local policy settings will be more conducive to growth, giving the Australian economy a little more breathing room.

### ■ German factory orders surprise with better-than-expected jump of 2.2% in March

German industrial orders jumped by 2.2% in March compared with February, after already rising by the same magnitude the previous month. The rise was unexpectedly strong in March, propelled by rising demand both at home and abroad. Analysts had been pencilling in a slight drop of about 0.5% for March. Orders were buoyed by an above-average number of big-ticket orders in March. Foreign orders grew by 2.7%, faster than domestic orders, which expanded by 1.8%. The upward momentum was fuelled mainly by a sharp increase of 3.6% in orders for semi-finished goods. Orders for capital goods rose by 2.0%, while consumer goods orders slipped by 0.7%.

### ■ China April trade data beats expectations, scepticism remains

China's exports and imports grew more than expected in April from a year earlier, possibly easing some of the concerns about weakness in the recovery of the world's second-largest economy, though doubts remained over the strength of real demand and the accuracy of the figures. China's exports rose 14.7% in April, while imports grew 16.8%, leaving the country with a trade surplus of US\$18.16 billion for the month, the Customs Administration said on Wednesday. From a month earlier, exports edged up 2.7% while imports fell 7.7%.

### ■ NZ\$ falls on central bank intervention

New Zealand's dollar yesterday fell to a five-week low against its US counterpart after Reserve Bank of New Zealand governor Graeme Wheeler said that the central bank has sold the currency and may do so again to boost exports. The so-called kiwi has surged 45% against the greenback since the end of 2008, the biggest advance, along with its Australian peer, among more than 150 currencies tracked by Bloomberg. The currency dropped as much as 1.1% to 83.60 US cents, the lowest since April 1, before later recovering.

### ■ ECB survey points to eurozone contraction this year

The ECB's latest Survey of Professional Forecasters showed the eurozone economy is set to contract this year, revising down previous forecasts and strengthening the case for the ECB to take further policy action. The poll of 53 economists, academics and professional forecasters conducted April 16 to 19 pointed to a 0.4% contraction this year. The previous survey three months ago foresaw zero growth.

### ■ Greek February unemployment rises to 27%

Greece's jobless rate rose to 27% in February from a downwardly revised 26.7% in January, the country's statistics service ELSTAT said on Thursday. It was the highest reading and more than twice the eurozone's average reading of 12.1% in March, reflecting the impact of a deep, austerity-fuelled recession. Joblessness among those aged between 15 and 24 jumped to 64.2% in February from 59.3% in January.

### ■ US jobless claims at lowest in almost 5½ years

The number of Americans filing new claims for unemployment benefits dropped for a third consecutive week to its lowest level in nearly 5½ years last week, signalling labour market resilience in the face of fiscal austerity. Initial claims for state unemployment benefits fell 4,000 to a seasonally adjusted 323,000, the lowest level since January 2008. Claims for the prior week were revised to show 3,000 more applications received than previously reported. Initial claims below the 350,000 mark are normally associated with a firming labour market.

### ■ HK Q1 growth misses forecasts on China's economic slowdown

Hong Kong's economy grew a less-than-estimated 0.2% in Q1 of this year, the slowest pace in three quarters, as China's expansion cooled, compared with a revised 1.4% gain in Q4 last year. The estimate in a Bloomberg survey was for a 0.5% increase. The government aims to sustain economic growth while controlling risks in a housing market where prices have more than doubled since the start of 2009. The economy gained 2.8% from a year earlier, the government said, reaffirming a February projection of full-year growth of 1.5% to 3.5%.

## Market Snapshot

| Selected Equity Indices      | Last (May 10) | 1-week return | Year-to-date return |
|------------------------------|---------------|---------------|---------------------|
| Dow Jones Industrial Average | 15,118.49     | 0.97%         | 15.37%              |
| S&P 500 Index                | 1,633.70      | 1.19%         | 14.55%              |
| FTSE 100 Index               | 6,624.98      | 1.59%         | 12.33%              |
| Euro Stoxx 50                | 2,785.24      | 0.78%         | 5.66%               |
| Nikkei 225                   | 14,607.54     | 6.67%         | 40.52%              |
| Hang Seng Index              | 23,321.22     | 2.78%         | 2.93%               |
| Shanghai SE Composite        | 2,246.83      | 1.87%         | -0.98%              |
| BSE Sensex Index             | 20,122.32     | 2.79%         | 3.58%               |
| Straits Times Index          | 3,443.77      | 2.19%         | 8.74%               |

Source: Bloomberg

## Week Ahead

| Economic Calendar (Selected Events) |                          |                                |                                |                    |
|-------------------------------------|--------------------------|--------------------------------|--------------------------------|--------------------|
| Mon, May 13                         | Tue, May 14              | Wed, May 15                    | Thu, May 16                    | Fri, May 17        |
| <i>Retail Sales</i>                 | Import and Export Prices | <i>Producer Price Index</i>    | <i>Consumer Price Index</i>    | Consumer Sentiment |
| Business Inventories                |                          | Empire State Mfg Survey        | <i>Housing Starts</i>          |                    |
|                                     |                          | Treasury International Capital | <i>Jobless Claims</i>          |                    |
|                                     |                          | <i>Industrial Production</i>   | <i>Philadelphia Fed Survey</i> |                    |
|                                     |                          | Housing Market Index           |                                |                    |
|                                     |                          | EIA Petroleum Status Report    |                                |                    |

Red: Market moving indicator

Black: Merits extra attention

Source: Bloomberg



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