

Headlines

- [China April housing inflation quickens to two year high](#). *Reuters.com*, 18 May 2013
- [Wall Street Week Ahead: Correction talk gets old as rally sails along](#). *Reuters.com*, 19 May 2013
- [NZ house prices put pressure on RBNZ to tighten, Bill English says](#). *Bloomberg.com*, 19 May 2013
- [UK Treasury says banks too big to save in independent Scotland](#). *Bloomberg.com*, 19 May 2013

Weekly Review (for week ending 17 May 2013)

■ US retail sales inch up 0.1% in April

Sales at US retailers unexpectedly advanced 0.1% in April following a 0.5% decrease in March, helping ease concern of a sustained pullback in consumer spending that would stifle the economy. Expectations were for a 0.3% drop. Retail purchases climbed by the most in four months minus receipts from service stations, where cheaper pump prices depressed the value of sales. Lower fuel costs combined with rising stock and home values are boosting buying power, which will help underpin purchases as the labour market improves.

■ ¥2.8 trillion BoJ intervention offer checks bond yields, calms markets

The BoJ stepped aggressively into the Tokyo money market, offering to buy up to ¥2.8 trillion yen of government bonds, three times the normal daily limit, to forestall a spike in bond yields. Such a spike could jeopardise the BoJ's bold monetary easing announced in April and send long-term interest rates climbing in Japan. The intervention appeared to have a calming effect on the market, where the yield on the benchmark 10-year JGB had jumped to a one-year peak of 0.92% as funds moved out of bonds and into soaring Japanese equities.

■ Fitch raises Greek credit rating one notch to 'B-', outlook stable

Fitch Ratings raised Greece's long-term credit rating by one notch to 'B-' with a stable outlook, from 'CCC' on Tuesday, removing it from being at risk of default, citing progress in balancing the country's finances and improving its trade competitiveness. Fitch warned "tangible economic recovery remains elusive, while resistance to reform is high, underlining the continuing risks to implementation".

■ BoE upgrades UK growth outlook, faster fall in inflation

The BoE forecasted a better growth outlook for the UK economy and predicted a faster fall in inflation. In its Quarterly Inflation Report, the BoE bucked the trend of its recent forecasts and gave no sign that it was on the verge of doing more stimulus, as the British economy fragily recovers. "The economy is likely to see a modest and sustained recovery over the next three years," the central bank said, and that the recovery would "remain weak by historical standards". This represents a cheerier outlook than in February, when the bank said that the recovery was likely to be "slow but sustained". The BoE pegged a speedier fall in inflation than it previously predicted and said that the UK will likely hit the 2% inflation target in two years' time. Inflation has exceeded the central bank's 2% target since December 2009.

■ Eurozone Q1 GDP contracts 0.2% q/q, worse than expected

The 17-nation eurozone's economy contracted for the sixth straight quarter at the start of this year, Eurostat data showed on Wednesday, marking its longest recession on records dating back to 1995. Q1 GDP fell 0.2% q/q, worse than the expected 0.1% contraction, following a 0.6% decline in Q4 of 2012. The economy shrank 1% on an annual basis, steeper than a 0.9% contraction recorded in Q4 of last year.

■ US April PPI dips 0.7%, largest fall in 3 years

US producer prices recorded their largest drop in three years in April as petrol and food costs tumbled, pointing to weak inflation pressures that should give the Federal Reserve latitude to keep monetary policy very accommodative. The Labour Department said on Wednesday its seasonally adjusted producer price index fell 0.7% last month, the biggest decline since February 2010. Wholesale prices had dropped 0.6% in March. In the 12 months through April, core PPI advanced 1.7% after rising by the same margin in March.

■ Japan Q1 GDP grows 0.9% q/q as consumer spending rises

Japan's economy grew at a faster-than-expected 0.9% in Q1 from the previous quarter, expanding for a second straight quarter, official data showed Thursday, driven by private consumption as the government's aggressive economic policies start to take hold. The result compared with a forecast of 0.7% growth, and followed a revised 0.3% expansion in Q4 of 2012. Japan's GDP figure translated into an annualised increase of 3.5%, bigger than forecast of 2.8% growth and surpassing the 2.5% expansion in the US for the same quarter.

■ Eurozone posts record trade surplus amid gloom

The 17-nation eurozone posted a record trade surplus of €22.9 billion in March, up from €10.1 billion in February, Eurostat said Thursday. March exports on a monthly comparison rose 2.8% while imports fell 1.0%. For the 27-member European Union, there was a trade surplus of €15.8 billion, up from €1.7 billion in February. Germany, the world's second-biggest exporter after China, more than accounted for the positive eurozone figures with a March trade surplus of €30.4 billion. Britain and France reported deficits of €17.9 billion and €15.3 billion.

■ May US consumer sentiment rises to highest in nearly 6 years

Americans' confidence in the economy climbed in May to the highest level since July 2007 as rising real estate values and record stock prices boosted household wealth, overcoming the effects of higher taxes and sequestration. The Thomson Reuters/University of Michigan preliminary index of consumer sentiment rose to 83.7 from 76.4 in April, topping expectations for 78. Separately, the Conference Board's gauge of the outlook for the next three to six months climbed 0.6% last month after falling a downwardly revised 0.2% in March.

Market Snapshot

Selected Equity Indices	Last (May 17)	1-week return	Year-to-date return
Dow Jones Industrial Average	15,354.40	1.56%	17.17%
S&P 500 Index	1,667.47	2.07%	16.92%
FTSE 100 Index	6,723.06	1.48%	13.99%
Euro Stoxx 50	2,817.99	1.18%	6.91%
Nikkei 225	15,138.12	3.63%	45.63%
Hang Seng Index	23,082.68	-1.02%	1.88%
Shanghai SE Composite	2,282.87	1.60%	0.61%
BSE Sensex Index	20,286.12	0.81%	4.42%
Straits Times Index	3,449.30	0.16%	8.91%

Source: Bloomberg

Week Ahead

Economic Calendar (Selected Events)				
Mon, May 20	Tue, May 21	Wed, May 22	Thu, May 23	Fri, May 24
		<i>Existing Home Sales</i>	<i>Jobless Claims</i>	<i>Durable Goods Orders</i>
		EIA Petroleum Status Report	PMI Manufacturing Index Flash	
		<i>FOMC Minutes</i>	<i>New Home Sales</i>	

Red: Market moving indicator

Black: Merits extra attention

Source: Bloomberg



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