

## Headlines

- [China May official PMI stronger than expected](#). *Reuters.com, 01 Jun 2013*
- [Record unemployment, low inflation underline Europe's pain](#). *Reuters.com, 01 Jun 2013*
- [IMF approves Greek disbursement and seeks better tax collection](#). *Bloomberg.com, 01 Jun 2013*
- [Employment probably grew at steady pace: US Economy Preview](#). *Bloomberg.com, 02 Jun 2013*

## Weekly Review (for week ending 31 May 2013)

### ■ BoJ minutes highlight concern that 2% inflation goal may be elusive

Bank of Japan minutes show the concern of a few board members that inflation expectations may fail to flow through to actual price increases, leaving the BoJ short of its 2% inflation goal through March 2016. Those policy makers say it's "highly uncertain whether changes in inflation expectations would lead to a rise in the actual rate of inflation", according to the record of an April 26 meeting. Board members discussed perceptions of a contradiction between applying downward pressure to interest rates through large-scale purchases of government bonds and seeking to fuel inflation, which would lead to pressure for higher yields and fluctuations in financial markets.

### ■ ICBC Singapore begins RMB clearing services; SGX launches depository services for RMB bonds

MAS announced that ICBC's RMB clearing services will commence operations on 27 May 2013. As Singapore is very proactive in developing its bond market, it has strong potential to become a key RMB-denominated offshore bond centre in the region and lure some RMB deposits that are currently parked in Hong Kong and Taiwan. SGX launched on Monday depository services for RMB-denominated bonds just as banks start their first sales of Dim Sum debt here, with Standard Chartered and HSBC both launching RMB bonds on the first day of Singapore's offshore RMB market with 3-year (2.625% coupon) and 2-year (2.25% coupon) fixed-rate notes respectively.

### ■ China looking into investing foreign reserves in US property

China is studying the possibility of investing a portion of its US\$3.4 trillion in foreign exchange reserves in US real estate. Investment safety will be top priority as it seeks to tap the market recovery. China has set up an operation in New York to make alternative investments in the US, in an effort by the country's State Administration of Foreign Exchange to diversify away from US government debt.

### ■ US consumer confidence at 5-year high on rising home prices

Tuesday's report from the Conference Board, a private research group, showed that consumer confidence jumped in May to a reading of 76.2, up from an upwardly revised 69 in April. That's the highest level since February 2008, two months after the Great Recession officially began. A separate report showed that US home prices jumped nearly 11% in March compared with a year ago, the sharpest 12-month increase since April 2006. Prices rose year over year in all 20 cities in the Standard & Poor's/Case-Shiller home price index.

### ■ Eurozone confidence bounces back in May

Consumer and business confidence in the 17-nation eurozone bounced back in May after a sharp drop in April, an EC survey showed on Thursday. The combined business and consumer confidence index added 0.8 points in May to 89.4 after falling 1.5 points in April, with a broad-based improvement in all sectors but construction. Industrial sector confidence rose 0.8 points in May, with services rebounding a strong 1.8 points, while consumer confidence added just 0.4 points, dampened by continuing high unemployment rates. The construction sector tumbled a sharp 2.0 points. For the full 27-member EU, the index rose 1.1 points to 90.8, after a drop of 1.8 points in April.

### ■ US Q1 GDP growth below first estimate at 2.4%

The US economy expanded less than previously estimated in Q1, as slower inventory building and cutbacks in government spending overshadowed the biggest gain in consumer purchases since the end of 2010. GDP rose at a 2.4% annualised rate, the Commerce Department said, below the first estimate of 2.5%. The boost to household wealth from rising home values and stock prices is allowing Americans to weather higher payroll taxes and sustain purchases, the biggest part of the economy.

### ■ US jobless claims unexpectedly rise, but stay near 5-year low

Initial claims for state unemployment benefits increased 10,000 to a seasonally adjusted 354,000. Claims for the prior week were revised to show 4,000 more applications received than previously reported. Still, the level of applications is consistent with steady hiring and remains near a five-year low. The four-week average, a less volatile measure, inched up 6,750 to 347,250, a third straight increase.

### ■ Japan consumer prices fall 0.4% in April

Japan's consumer prices fell by 0.4% year-on-year in April, the sixth straight month of declines. The world's third largest economy has experienced years of deflation, and the BoJ currently has a 2% inflation target. The core CPI, which includes oil products but excludes volatile prices of fresh food, followed a 0.5% drop in March. The jobless rate stayed at 4.1% in April, the lowest since November 2008.

### ■ Consumer spending in US unexpectedly declined in April

Consumer spending in the US unexpectedly declined in April for the first time in almost a year as incomes stagnated, indicating that the US economy will struggle to pick up without bigger job gains. Purchases fell 0.2% after a 0.1% gain in March that was smaller than previously estimated 0.2% gain. Incomes were unchanged and prices dropped by the most in more than 4 years. The record low inflation combined with rebounds in home and stock prices are shoring up confidence, which will help prevent an extended pullback in demand.

## Market Snapshot

Selected Equity Indices	Last (May 31)	1-week return	Year-to-date return
Dow Jones Industrial Average	15,115.57	-1.23%	15.35%
S&P 500 Index	1,630.74	-1.14%	14.34%
FTSE 100 Index	6,583.09	-1.07%	11.62%
Euro Stoxx 50	2,769.64	0.19%	5.07%
Nikkei 225	13,774.54	-5.73%	32.51%
Hang Seng Index	22,392.16	-1.00%	-1.17%
Shanghai SE Composite	2,300.59	0.53%	1.39%
BSE Sensex Index	19,760.30	0.28%	1.72%
Straits Times Index	3,311.37	-2.41%	4.56%

Source: Bloomberg

## Week Ahead

Economic Calendar (Selected Events)				
Mon, Jun 3	Tue, Jun 4	Wed, Jun 5	Thu, Jun 6	Fri, Jun 7
PMI Manufacturing Index	<i>International Trade</i>	ADP Employment Report	<i>Jobless Claims</i>	<i>Employment Situation</i>
<i>ISM Mfg Index</i>		Productivity and Costs		
Construction Spending		Factory Orders		
		ISM Non-Mfg Index		
		EIA Petroleum Status Report		
		Beige Book		

Red: Market moving indicator

Black: Merits extra attention

Source: Bloomberg



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