

Monday, 10 June 2013

Weekly Update

Headlines

- [Merkel urges more EU structural reforms](#). *Reuters.com*, 08 Jun 2013
- [China May factory output up 9.2% year-on-year, meets forecast](#). *Reuters.com*, 09 Jun 2013
- [Fed seen holding to QE strategy even as payrolls beat forecasts](#). *Bloomberg.com*, 08 Jun 2013
- [China May consumer prices rise 2.1%; economists' estimate 2.5%](#). *Bloomberg.com*, 09 Jun 2013

Weekly Review (for week ending 07 June 2013)

■ China factory output contracts in May for first time in 7 months

The HSBC/Markit PMI for May fell to 49.2, the lowest level since October 2012 and down from April's final reading of 50.4. The figure was lower than a flash reading of 49.6 released May 23, suggesting a weakening of manufacturing activities towards the end of May. The Chinese government's official manufacturing PMI, released on June 1, rose slightly to 50.8 in May from April's 50.6.

■ Contraction in eurozone manufacturing slows

Markit's May survey of the 17 nation bloc shows that the eurozone Manufacturing PMI rose to 48.3 from April's 46.7. Despite the higher figure, the eurozone PMI was below the 50 level that divides growth from contraction for the 22nd consecutive month. The PMI, however, is the highest since February 2012 and it is the first time that the index has risen in four months. The survey indicates that manufacturing in the four biggest eurozone nations is beginning to improve slightly. Germany's PMI of 49.4 was at a three-month high, France, at 46.4 was at a 13 month peak, Italy at 47.3 was the highest in four months, while Spain's PMI of 48.1 was the best in 24 months. In contrast to the eurozone, the UK manufacturing index rose to 51.3, up from 50.2 in April. The figure was the highest since March 2012.

■ US manufacturing shrinks the most in 4 years

Manufacturing in the US unexpectedly contracted in May at the fastest pace in four years, indicating the industry will provide scant support for the world's largest economy. The ISM's factory index fell to 49 in May from April's 50.7, the lowest since June 2009. Economists were expecting a reading of 51. One area of the economy that remains a bright spot is residential real-estate as borrowing costs near a record low attract buyers and encourage more homebuilding projects. Manufacturing, which accounts for about 12% of the economy, is finding support from the housing rebound as demand picks up for everything from machinery to furniture, appliances and home-decor items.

■ US trade deficit up 8.5% to US\$40.3 billion

The US trade deficit widened in April, as demand for foreign cars, cell phones and other imported goods outpaced growth in US exports. The Commerce Department said that the trade gap rose 8.5% in April from March to US\$40.3 billion. Exports increased 1.2% to US\$187.4 billion, the second-highest level on record. Companies sold more telecommunications equipment, industrial machinery and airplane parts, while US-made autos and auto parts also rose to an all-time high of US\$12.8 billion. Imports grew an even faster 2.4% to US\$227.7 billion. Sales of foreign cars increased to \$25.5 billion. Americans also bought more consumer goods, led by big gain in foreign-made cell phones.

■ Australia's Q1 growth slightly below forecast

Australia's economy grew at a slower-than-expected pace in the first three months of the year as the commodities-powered nation faces a painful transition away from its reliance on the mining sector. The Australian Bureau of Statistics said the economy expanded 0.6% on quarter and 2.5% on year - short of the estimated 0.7% and 2.7%, and showing a decade-long mining investment boom is unwinding.

■ BoE leaves rates unchanged at Mervyn King's last meeting as Governor

The BoE left monetary policy unchanged in its June meeting, keeping its asset purchase programme at £375 billion and the official bank rate at 0.5%. It was Mervyn King's last meeting as BoE Governor. The minutes of the meeting due for release on June 19 will be eyed.

■ ECB also keep rates unchanged; gradual recovery for the Eurozone

The ECB left interest rates unchanged - refinancing rate at 0.50% and deposit rate at 0% - as expected. ECB President Draghi said the decision was not unanimous, adding that the governing board discussed rate cuts, including a negative deposit rate, as well as non-standard measures including LTROs, ABS, and collateral changes. He also said that the ECB stands ready to act if needed but felt no need to act at this time. On the eurozone, Draghi acknowledged that the region is on track for a "very gradual recovery" later this year driven by the ECB's loose monetary policy and demand from abroad. As a result, growth forecasts have been tweaked only slightly lower for this year from -0.5% to -0.6% but surprisingly revised up for next year, from 1.0% to 1.1%.

■ Bundesbank cuts growth forecasts for Germany

Germany's Bundesbank cut its 2013 growth projection to 0.3% from the 0.4% predicted in December while signalling confidence that the worst of the recession in the euro area is over and said the economy would grow 1.5% in 2014, down from the previously-estimated 1.9%.

■ Payrolls in US rose 175,000 in May, unemployment 7.6%

US employers took on more workers than forecast in May as the economy weathered the impact of higher taxes and federal spending cuts. Payrolls rose 175,000 after a downwardly revised 149,000 increase in April, versus forecasts for 163,000. The unemployment rate climbed to 7.6% from 7.5%. The household survey, used to calculate the unemployment rate, showed a 420,000 increase in the size of the labour force, exceeding the 319,000 gain in employment and pushing up the jobless rate from a four-year low.

Market Snapshot

Selected Equity Indices	Last (Jun 7)	1-week return	Year-to-date return
Dow Jones Industrial Average	15,248.12	0.88%	16.36%
S&P 500 Index	1,643.38	0.78%	15.23%
FTSE 100 Index	6,411.99	-2.60%	8.72%
Euro Stoxx 50	2,724.08	-1.64%	3.34%
Nikkei 225	12,877.53	-6.51%	23.88%
Hang Seng Index	21,575.26	-3.65%	-4.77%
Shanghai SE Composite	2,210.90	-3.90%	-2.57%
BSE Sensex Index	19,429.23	-1.68%	0.01%
Straits Times Index	3,184.72	-3.82%	0.56%

Source: Bloomberg

Week Ahead

Economic Calendar (Selected Events)				
Mon, Jun 10	Tue, Jun 11	Wed, Jun 12	Thu, Jun 13	Fri, Jun 14
		EIA Petroleum Status Report	<i>Jobless Claims</i>	<i>Producer Price Index</i>
		Treasury Budget	<i>Retail Sales</i>	<i>Industrial Production</i>
			Import and Export Prices	Consumer Sentiment
			Business Inventories	

Red: Market moving indicator

Black: Merits extra attention

Source: Bloomberg



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