

Headlines

- [No reason to again give France more time to cut deficit: Rehn](#). *Reuters.com, 05 Apr 2014*
- [Australian PM hopes for 'swift, satisfactory' end to Japan trade talks](#). *Reuters.com, 06 Apr 2014*
- [Merkel says Europe shouldn't fear punishing Russia on Ukraine](#). *Bloomberg.com, 05 Apr 2014*
- [IMF's Lagarde says US job numbers 'Not at Potential'](#). *Bloomberg.com, 06 Apr 2014*

Weekly Review (for week ending 04 April 2014)

■ Eurozone inflation at lowest in over 4 years, misses estimates

Eurozone inflation slowed in March by more than economists forecast to the lowest level in over four years, keeping pressure on the ECB to take action to foster the currency bloc's recovery. Consumer prices grew 0.5% in the year, after a 0.7% gain in February, the EU's statistics office Eurostat said. That missed the 0.6% median forecast in a Bloomberg News survey. The inflation rate has been below 1% for six months, while the ECB seeks to keep it at just under 2%. The core inflation rate, which excludes volatile items such as energy, food, alcohol and tobacco, advanced 0.8% after a 1% jump in February. Eurostat will release final figures for March on April 16.

■ Eurozone unemployment stays at 11.9% as Italy jobless at record

Eurozone unemployment stayed at 11.9% in February, highlighting the region's uneven recovery as Germany's labour market kept strengthening and Italy's jobless rate reached a record. The jobless rate was revised lower in January and in the prior two months from 12%. Economists had forecast 12% for February. In Italy, the unemployment rate reached a record 13%, while the number of Germans out of work fell in March. The German March unemployment rate was unchanged at 6.7%, while the February rate was revised lower to 6.7%.

■ Eurozone manufacturing near 3-year high as recovery persists

Growth in the Eurozone manufacturing stayed close to the highest level in almost three years in March, adding to signs the region's recovery is gathering pace. Markit Economics index based on a survey of purchasing managers slipped to 53.0 from 53.2 February, matching an initial estimate released last week. While the report is further evidence that the recovery is gaining traction, the euro has appreciated more than 7% against the dollar in the past 12 months and inflation slowed to the lowest level in four years in March, highlighting the risks to the outlook. ECB policy makers meet on April 3, and economists predict they will refrain from adding stimulus.

■ US ISM manufacturing PMI rises less than expected in March

Manufacturing activity in the US expanded at a slower rate than expected in March, dampening optimism over the health of the economy. The Institute for Supply Management said its Purchasing Managers Index rose to 53.7 in March from 53.2 in February. Analysts had expected the manufacturing PMI to increase to 54.0 in March. The New Orders Index registered 55.1, an increase of 0.6 points from February's reading of 54.5. The Production Index registered 55.9, an increase of 7.7 points compared to February's reading of 48.2. Employment grew for the ninth consecutive month, but at a lower rate by 1.2 points, registering 51.1 compared to February's 52.3.

■ Japan firms see inflation at 1.5% in a year's time, 1.7% in 3 years

Japanese Prime Minister Shinzo Abe's bid to rid the economy of 15 years of deflation got a boost, as companies forecast sustained price gains. The inflation rate will be 1.5% in a year's time and 1.7% in three years and in five years, according to forecasts in a BoJ survey held from February 24 to March 31. Japanese households see an inflation rate of 3% in one year and 2% in five years time. The BoJ asked companies and households to exclude the sales-tax increases from their price forecasts in the survey. The economy is forecast to contract at an annualised pace of 3.5% in Q2 as the higher sales tax levy weakens consumer spending, returning to growth of 2% in Q3.

■ US trade deficit climbs to US\$42.3 billion in February

The US trade deficit climbed to the highest level in five months in February as demand for American exports fell while imports increased slightly. The deficit increased to US\$42.3 billion, which was 7.7% above the January imbalance of US\$39.3 billion, the Commerce Department reported. US exports slipped 1.1% to US\$190.4 billion as sales of commercial aircraft, computers and farm goods fell. Imports edged up 0.4% to US\$232.7 billion, reflecting gains in imports of autos and clothing, which offset a drop in crude oil to the lowest level in more than three years. The wider February deficit prompted some economists to reduce their estimate for overall economic growth for Q1.

■ ECB keeps rates on hold as officials discuss new measures

The ECB opened the door to new measures to boost the eurozone economy and counter "lowflation". It kept interest rates at 0.25% at its regular meeting, but ECB President Mario Draghi said the ECB had achieved unanimity that asset purchases might be needed to tackle inflation if it proved persistently low. As well as QE and a negative deposit rate, the ECB could offer new long-term loans to banks, bolster the market for asset-backed securities, or stop the absorption of liquidity from bond purchases under its now-defunct SMP program.

■ US economy added 192,000 jobs in March, unemployment remained at 6.7%

Employers added 192,000 jobs in March, slightly below the 200,000 economists expected, with 57,000 jobs from the business services sector. The unemployment rate, which is drawn from a different survey of households, remained at 6.7%. The labour force participation rate came in at 63.2%, up slightly from February. The employment-population ratio was 58.9%, also just above February's number. The February employment number was revised up to plus 197,000 jobs. January payroll was also revised from 129,000 to plus 144,000, total employment gains those months were 37,000 greater than previously reported. Job growth averaged 183,000 in the prior 12 months.

Market Snapshot

Selected Equity Indices	Last (Apr 4)	1-week return	Year-to-date return
Dow Jones Industrial Average	16,412.71	0.55%	-0.99%
S&P 500 Index	1,865.09	0.40%	0.91%
FTSE 100 Index	6,695.55	1.21%	-0.79%
Euro Stoxx 50	3,230.33	1.83%	3.90%
Nikkei 225	15,063.77	2.50%	-7.53%
Hang Seng Index	22,510.08	2.01%	-3.42%
Shanghai SE Composite	2,058.83	0.84%	-2.70%
BSE Sensex Index	22,359.50	0.09%	5.62%
Straits Times Index	3,212.72	1.28%	1.43%

Source: Bloomberg

Week Ahead

Economic Calendar (Selected Events)				
Mon, Apr 7	Tue, Apr 8	Wed, Apr 9	Thu, Apr 10	Fri, Apr 11
		EIA Petroleum Status Report	<i>Jobless Claims</i>	<i>PPI-FD</i>
		<i>FOMC Minutes</i>	Import and Export Prices	Consumer Sentiment
			Treasury Budget	

Red: Market moving indicator

Black: Merits extra attention

Source: Bloomberg



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