

Headlines

- [France's Hollande says recovery will lead to lower taxes: paper](#). *Reuters.com, 04 May 2014*
- [French PM Valls says euro too strong](#). *Reuters.com, 03 May 2014*
- [China services industry index rises amid slowdown concern](#). *Bloomberg.com, 03 May 2014*
- [China slowdown weighs on Indonesia's export outlook, Basri says](#). *Bloomberg.com, 04 May 2014*

Weekly Review (for week ending 02 May 2014)

■ Japan retail sales rise at fastest pace in 17 years before tax hike

Japanese retail sales rose in March at their fastest pace in 17 years as consumers went on a shopping spree before the sales tax hike took effect on April 1, setting the stage for a decline in consumer spending the following month. The 11.0% annual increase in retail sales marked the fastest gain since the last time the government raised the sales tax in 1997, as consumers stocked up on electronics, toiletries and clothes to avoid paying higher prices. The data suggest that consumer spending will fall in April, but the decline will still be within the BoJ's expectations. Economists also expect sales to bounce back in May, meaning the economic recovery is unlikely to be derailed.

■ Pending home sales in US up 3.4% in March, end losing streak

Contracts to buy previously owned US homes rose in March for the first time in nine months, a sign the housing market could be stabilising after suffering a setback from a rise in interest rates and a severe winter. The NAR said its Pending Home Sales Index, based on contracts signed last month, increased 3.4% to 97.4, beating economists' expectations for a 1.0% advance. These contracts usually become sales after a month or two, and March's rise suggested home resales could rebound in the months ahead. Sales stumbled last summer after the Fed said it would soon start QE tapering, pushing interest rates higher. A harsh winter also helped keep potential buyers out of the market.

■ US, EU impose new round of sanctions against Russia

The US on Monday imposed sanctions against 7 Russian government officials and 17 companies linked to Russian President Vladimir Putin in its latest action to punish Moscow for its intervention in Ukraine. The EU also added its weight to impose sanctions on another 15 Russian and Ukrainian figures for their role in the Ukrainian crisis. In addition, the US will deny export licence applications for any high-technology items that could contribute to Russian military capabilities. The Commerce and State Departments will revoke any existing export licences that meet these conditions, the White House said. Moscow in turn promised a "painful" response. It was the third round of sanctions that the US has imposed over Russia's intervention in the Crimea region and troop build-up near the border with Ukraine.

■ US consumer confidence near 6-year high, home prices rise

US consumer confidence dipped in April but remained near a 6-year high, while home prices rose in February, suggesting the economy continued to regain momentum after a winter lull. The Conference Board said its index of consumer attitudes dipped to 82.3, the second-highest reading since January 2008, from an upwardly revised 83.9 in March. Another report showed the S&P/Case-Shiller composite index of home prices in 20 metropolitan areas rose 0.8% in February on a seasonally adjusted basis, beating expectation for a 0.7 % gain.

■ US economy stalls in Q1 with just 0.1% growth, inventories and trade weigh; no surprises from Yellen

The US economy barely grew in Q1 as exports tumbled and businesses accumulated stocks at the slowest pace in nearly a year, but activity already appears to be bouncing back. GDP expanded at a 0.1% annual rate, a sharp pullback from Q4's 2.6% pace. Economists had expected growth to slow to a 1.2% rate. The slowdown partly reflected an unusually cold and disruptive winter, marked by declines in sectors ranging from business spending to home building. Inventories (-0.57%) and trade (-0.83%) sliced off 1.4% from GDP growth. The April FOMC provided no surprise as the tapering continues to roll. The Fed unanimously voted to trim its monthly QE further by another US\$10 billion to US\$45 billion with the monthly purchase of US\$25 billion longer term UST and US\$20 billion mortgage-backed securities.

■ China's April PMI increases marginally to 50.4, but doesn't dispel growth worries

Activity in China's factories edged up in April but export orders fell sharply, adding to worries about whether the economy is stabilising after its Q1 slowdown. The PMI rose to 50.4 in April from March's 50.3, an early indicator of how the economy started Q2. The new orders sub-index in the PMI rose to 51.2 in April from 50.6 in March, but the sub-index for export orders fell to 49.1 in April from 50.1 in March.

■ US manufacturing growth accelerates in April

US manufacturing growth accelerated for a third straight month in April, boosted by a pickup in employment growth. The ISM index of national factory activity rose to 54.9 in April, from 53.7 in March, the highest since December. It beat expectations for 54.3. The forward-looking new orders index was unchanged at 55.1 while the production sub-index slowed slightly, dropping to 55.7 in April from 55.9.

■ US job growth jumps, but shrinking labour force a blemish; unemployment rate drops to 6.3%

The US economy added 288,000 jobs in April, beating economists' expectations for a 210,000 rise. The report raised some concerns as 806,000 people left the US labour force and average hourly wages were unchanged in April. The brightening outlook was tempered by a sharp increase in the number of people dropping out of the labour force, which pushed the unemployment rate to a 5½-year low of 6.3%, from last month's 6.7% rate. The labour force participation rate, or the share of working-age Americans who are employed or unemployed but looking for a job, also fell 0.4% to 62.8% last month, slipping back to a 36-year low touched in December. The data suggested the economy was gathering strength and led investors to pull forward their bets on when the Fed will start to raise interest rates.

Market Snapshot

Selected Equity Indices	Last (May 2)	1-week return	Year-to-date return
Dow Jones Industrial Average	16,512.89	0.93%	-0.38%
S&P 500 Index	1,881.14	0.95%	1.77%
FTSE 100 Index	6,822.42	2.05%	1.09%
Euro Stoxx 50	3,177.89	0.97%	2.22%
Nikkei 225	14,457.51	0.20%	-11.26%
Hang Seng Index	22,260.67	0.17%	-4.49%
Shanghai SE Composite	2,026.36	-0.50%	-4.24%
BSE Sensex Index	22,403.89	-1.25%	5.83%
Straits Times Index	3,252.55	-0.46%	2.69%

Source: Bloomberg

Week Ahead

Economic Calendar (Selected Events)				
Mon, May 5	Tue, May 6	Wed, May 7	Thu, May 8	Fri, May 9
ISM Non-Mfg Index	<i>International Trade</i>	Productivity and Costs EIA Petroleum Status Report	<i>Jobless Claims</i>	

Red: Market moving indicator

Black: Merits extra attention

Source: Bloomberg



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