

## Headlines

- [ECB's Mersch: Banks need to be strong enough to meet credit demand](#). *Reuters.com, 24 May 2014*
- [EU election casts shadow over euro zone as ECB meeting approaches](#). *Reuters.com, 25 May 2014*
- [Draghi's mountain retreat contemplates new ECB horizon](#). *Bloomberg.com, 25 May 2014*
- [Australian gold output declines after heavy rains lash mines](#). *Bloomberg.com, 25 May 2014*

## Weekly Review (for week ending 23 May 2014)

### ■ Singapore Q1 GDP surprise downward revision to 4.9% on-year, even as manufacturing improves

Singapore's final Q1 GDP was revised slightly lower to 4.9% y/y from 5.1% in the advance estimate, after growing a revised 4.9% in Q4. Consensus expectation was for an upgrade to 5.5%. However, on a q/q *saar* basis, Q1 growth was revised to 2.3%, significantly higher from 0.1% in the advance estimate, after growing 6.9% in Q4. The disparity between the y/y and q/q revisions could be partly due to the rebasing of the GDP series (which is now based on 2010 prices from 2005 prices previously). The manufacturing sector grew by 9.8% y/y during Q1, faster than the 7% expansion in Q4, largely driven by a sharp rebound in the biomedical manufacturing cluster, as well as stronger growth in the chemicals and transport engineering clusters. The MTI maintained its forecast for growth of 2% to 4% this year.

### ■ BoJ leaves policy unchanged again

The BoJ refrained from boosting stimulus as the economy shows signs of weathering the impact of the first sales-tax increase since 1997. It will continue to expand the monetary base at an annual pace of ¥60-70 trillion, in line with market expectations. The BoJ has withheld its hand for more than a year but additional easing is expected in Q3. The next Monetary Policy Meeting decision will be on 12/13 June 2014 while the more important MPM decision that comes with an interim assessment of the economic outlook will be later on 14/15 July 2014.

### ■ Japan's trade deficit narrows in April on slower imports

Japan's trade deficit narrowed in April after the yen strengthened and a sales tax hike dampened demand for imports of consumer goods despite still modest growth in exports. Costs for imports of oil and gas that account for about a third of the country's imports moderated, reflecting a rise in the yen after a year of decline and decreases in shipments of some fuels. The 808.9 billion yen deficit in April, compared with a gap of 877.4 billion yen a year earlier and with a 1.7 trillion yen deficit in March. Japan's exports are improving as the economy emerges from a protracted slump and recoveries gain momentum overseas, but Japanese manufacturers have shifted a large share of their production offshore to cut costs, avoid trade barriers and be closer to fast growing emerging markets.

### ■ UK retail sales rise 1.3% in April, beating expectations for 0.5%

Retail sales in the UK rose much more than expected in April, underlining optimism over the country's economic outlook, the ONS said on Wednesday. Retail sales increased by a seasonally adjusted 1.3% last month, blowing past forecasts for a gain of 0.5%. Retail sales in March was revised up to a 0.5% gain from a previously reported rise of 0.1%. Year-on-year, retail sales rose at an annualised rate of 6.9% in April, above expectations for a 5.2% gain, after rising at a rate of 4.8% in March. Core retail sales, which exclude automobile sales, jumped 1.8% last month, easily surpassing forecasts for a 0.5% gain, after rising 0.1% in the preceding month.

### ■ No surprises from FOMC minutes, emphasis on clear communication and exit strategy

No final decisions were taken in the April FOMC minutes and the Fed's April assessment of the US economic & inflation outlook remains largely unchanged from the March FOMC meeting. The Fed was seen to be engaged in prudent planning and not perceived as ready to start the monetary policy normalisation process any time soon. It is also committed towards early and clear communication to the markets. The next immediate key data that could shape rate hike expectations will be the US May labour market report due on 6 June 2014.

### ■ China manufacturing PMI rises to 5-month high in sign of stabilisation

The HSBC flash manufacturing PMI rose to a 5-month high in May, at 49.7, exceeding the 48.3 estimate of analysts and a final reading of 48.1 in April. The report showed rebounding output and orders, fuelling optimism Chinese demand will be sustained after the government announced tax breaks and accelerated spending on railways to protect a 7.5% annual growth target. At the same time, a property slump and slowing investment and retail sales threaten the pace of expansion. The final reading will be released June 3. While sub-indexes showed output, new orders and export orders all expanding, another gauge showed employment shrinking at a faster pace.

### ■ Sales of existing US homes rise for first time this year

Previously owned US home purchases increased in April as a bigger supply of properties lured buyers and raised prospects for a stronger spring buying season. The 1.3% gain, the first this year, pushed sales to a 4.65 million annualised rate. The number of available properties climbed to an almost two-year high, helping slow the pace of price appreciation. Compared with a year earlier, purchases were down 7.3%, showing that housing is far from hitting its stride. The gain in April was limited to stronger results in the West and the South.

### ■ US new-home sales rebound 6.4% in April

New-home sales rose 6.4% to a seasonally adjusted annual rate of 433,000 units in April following a 6.9% decline in March. The rise ended two straight months of declines and beat Wall Street expectations for 420,000 units. The inventory of new houses on the market increased 0.5% to 192,000 units, the highest level since November 2010. The stock of new houses on the market remains more than 50% below its pre-recession level. With inventories rising, the median price of a new home fell 1.3% to US\$275,800 from April a year ago.

## Market Snapshot

Selected Equity Indices	Last (May 23)	1-week return	Year-to-date return
Dow Jones Industrial Average	16,606.27	0.70%	0.18%
S&P 500 Index	1,900.53	1.21%	2.82%
FTSE 100 Index	6,815.75	-0.58%	0.99%
Euro Stoxx 50	3,203.28	0.96%	3.03%
Nikkei 225	14,462.17	2.59%	-11.23%
Hang Seng Index	22,965.86	1.11%	-1.46%
Shanghai SE Composite	2,034.57	0.40%	-3.85%
BSE Sensex Index	24,693.35	2.37%	16.64%
Straits Times Index	3,278.02	0.47%	3.49%

Source: Bloomberg

## Week Ahead

Economic Calendar (Selected Events)				
Mon, May 26	Tue, May 27	Wed, May 28	Thu, May 29	Fri, May 30
US Holiday: Memorial Day	<i>Durable Goods Orders</i>		<i>GDP</i>	<i>Personal Income and Outlays</i>
	S&P Case- Shiller HPI		<i>Jobless Claims</i>	Chicago PMI
	Consumer Confidence		Pending Home Sales Index	Consumer Sentiment
	Dallas Fed Mfg Survey		EIA Petroleum Status Report	

Red: Market moving indicator

Black: Merits extra attention

Source: Bloomberg



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