

## Headlines

- [IMF urges China to focus on reforms, target 7% growth in 2015](#). *Reuters.com, 07 June 2014*
- [BOJ's Kuroda says easy monetary policy achieving intended results](#). *Reuters.com, 07 June 2014*
- [Coeure says rates to stay low in Euro Area as US, UK tighten](#). *Bloomberg.com, 07 June 2014*
- [China's export gains to cushion growth as imports slump](#). *Bloomberg.com, 08 June 2014*

## Weekly Review (for week ending 06 June 2014)

### ■ US manufacturing sector grows at faster pace in May

The pace of growth in the US manufacturing sector accelerated in May, an ISM report released on Monday showed. ISM said its index of national factory activity rose to 55.4 last month from 54.9 in April, and just shy of the 55.5 expected by economists. The employment sub-index dropped to 52.8 in May from 54.7 the prior month and also missed the expectation for 55.0, while the gauge of new orders rose to 56.9 from 55.1. Separately, the final Markit US manufacturing PMI was 56.4, higher than the preliminary reading of 56.2.

### ■ Eurozone inflation rate fall adds to pressure on ECB

Inflation in the eurozone slowed last month to financial crisis levels, putting extra pressure on the ECB to act to fight a growing threat of deflation. Eurozone inflation fell to 0.5% in May, the same level as in March and erasing a bump to 0.7% in April, but remains way below the ECB's target of just under 2.0%. Inflation in the 18-nation eurozone has fallen steadily in the past year, reflecting weak demand and strength of the euro, and has raised expectations that the ECB will cut interest rates at a policy meeting on Thursday.

### ■ Eurozone unemployment falls to 11.7%, lowest in 18 months

The number of jobless people across the 18-member eurozone has fallen for the first time in 18 months. But Eurostat warned that youth unemployment still remained a major issue. Eurozone unemployment dipped to 11.7% in April, slightly down from the 11.8% in March. The seasonally-adjusted rate last fell in December 2012, meaning the April figure showed an end to a long period of stagnation. A total of 18.75 million people were without a job in April, down by 76,000 if compared with the month before, and down by 487,000 in a year-on-year comparison. In the wider, 28-member EU, the overall jobless rate fell to 10.4%, while youth unemployment stood at 22.5%.

### ■ US automobile sales surge in May

Most leading automakers on Tuesday reported strong US sales increases for May that bested expectations, a sign of rising consumer confidence as the American economy picks up steam. Auto giants including General Motors, Ford Motor and Toyota, among others, said some models scored record highs as the industry reported sales that, by some benchmarks, are the best since the financial crisis. The May boom is a sign that consumers are very confident in their purchases. Automakers sold a total 1.61 million vehicles in May, up 11.4% from a year ago, according to industry specialist AutoData. Edmunds.com had projected sales of 1.55 million for the month. The May annual sales rate surged to 16.8 million vehicles from 16.0 million in April, the highest level since February 2007, according to AutoData.

### ■ Australia's strong Q1 GDP pace suggests RBA transition working

Australia's economy grew at the fastest pace in two years as surging exports and home building showed record-low borrowing costs are sustaining a 22-year expansion even as mining investment slows. Australia's economy grew 3.5% on-year in Q1, its fastest pace in nearly two years. The rise in GDP followed a 2.8% increase in Q4 and compared with analyst forecasts for a 3.2% rise. Economists had anticipated a strong number after current account data on Tuesday showed that net exports added 1.4% to GDP in Q1. On a quarter-on-quarter basis, Q1 GDP advanced 1.1% from the previous quarter, beating the 0.9% gain forecast in a Bloomberg News survey. Exports surged 4.8% in Q1 from Q4, adding 1.1% to GDP growth. Dwelling investment climbed 4.7%, adding 0.2% to the expansion.

### ■ ECB fights slow growth, low inflation with rate cuts; imposes negative interest rates on banks

The ECB cut interest rates to record lows and took its deposit rate below zero for the first time, seeking to combat the risk of the Eurozone suffering Japan-like deflation and to cajole banks into lending more. The ECB cut the deposit rate to **-0.10%** from zero meaning it will effectively charge banks for holding their money overnight, the main refinancing rate to **0.15%** from 0.25%, and the marginal lending rate (for emergency borrowing) to **0.40%** from 0.75%. The decision was widely expected after ECB President Draghi said last month the Governing Council was "comfortable with acting next time" but first wanted to see updated economic projections from the bank's staff.

### ■ IMF warns China on rising debt levels

China should refrain from rolling out more stimulus to boost economic growth and continue to implement changes to curb dangers from shadow banking and local government debt, the IMF said. Instead, China needs to implement changes to bring its current account surplus "into line with fundamentals" to support the country's economic transition away from investment and saving, including greater exchange rate flexibility by widening the RMB's trading band and reducing currency intervention to reach market-clearing level as soon as possible.

### ■ US payrolls for May climb to pre-recession peak as economy picks up

US employers added 217,000 workers in May after a 282,000 gain in April, sending payrolls past the pre-recession peak for the first time. The US recouped the 8.7 million jobs lost during the recession, with 8.8 million more people working now than at the trough in February 2010. It marked the fourth consecutive month employment increased by more than 200,000, the first time that's happened since 2000. The jobless rate unexpectedly held at an almost six-year low of 6.3%. The labour force participation rate was unchanged at 62.8% for May.

## Market Snapshot

Selected Equity Indices	Last (Jun 6)	1-week return	Year-to-date return
Dow Jones Industrial Average	16,924.28	1.24%	2.10%
S&P 500 Index	1,949.44	1.34%	5.47%
FTSE 100 Index	6,858.21	0.20%	1.62%
Euro Stoxx 50	3,294.28	1.53%	5.96%
Nikkei 225	15,077.24	3.04%	-7.45%
Hang Seng Index	22,951.00	-0.57%	-1.52%
Shanghai SE Composite	2,029.96	-0.45%	-4.07%
BSE Sensex Index	25,396.46	4.87%	19.96%
Straits Times Index	3,299.43	0.11%	4.17%

Source: Bloomberg

## Week Ahead

Economic Calendar (Selected Events)				
Mon, Jun 9	Tue, Jun 10	Wed, Jun 11	Thu, Jun 12	Fri, Jun 13
		EIA Petroleum Status Report	<i>Jobless Claims</i>	<i>PPI-FD</i>
		Treasury Budget	<i>Retail Sales</i>	Consumer Sentiment
			Import and Export Prices	
			Business Inventories	

Red: Market moving indicator

Black: Merits extra attention

Source: Bloomberg



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