

## Headlines

- [Greece may have blown best hope of debt deal](#). *Reuters.com, 12 April 2015*
- [United States loses sparkle as Europe shows signs of hope](#). *Reuters.com, 12 April 2015*
- [Oil rigs tumble again, showing the cuts aren't over yet](#). *Bloomberg.com, 11 April 2015*
- [China-led infrastructure bank to welcome US 'anytime'](#). *Bloomberg.com, 11 April 2015*

## Weekly Review (for week ending 10 April 2015)

### ■ US service sector growth slips in March: ISM survey

The pace of growth in the US services sector fell in March to its lowest level in three months but exports rose to the highest level in over two years. The Institute for Supply Management said its services index fell to 56.5 last month from 56.9 in February. The reading was in line with economists' forecasts. The exports index rose, however, to 59.0 from 53.0 in February to mark the highest reading since February 2013. The employment index also rose, hitting its highest level since last October, with the reading coming in at 56.6 compared with 56.4 in February. Its index of business activity fell, meanwhile, to 57.5 in March from 59.4 in February and marking the lowest reading in a year. The rise in the exports index came despite the US dollar's surge against a basket of major currencies of more than 20% since last May.

### ■ RBA skips on rate cut, focus shifts to May

The RBA decision to hold rates at 2.25% surprised many investors who had wagered plunging prices for iron ore, the country's biggest single export earner, would force its hand. "The Board judged that it was appropriate to hold interest rates steady for the time being", RBA Governor Glenn Stevens said. "Further easing of policy may be appropriate over the period ahead. The Board will continue to assess the case for such action at forthcoming meetings." Indeed, most analysts had always favoured May as the likely window for the next easing. A cut at the May 5 meeting would allow the RBA to expand on its reasoning in its quarterly statement on monetary policy, a weighty economic outlook due three days later. It was the routine followed for its cut in February, and was the clear favourite among economists.

### ■ BoJ keeps record stimulus after inflation gauge drops to zero

The BoJ kept its policy unchanged as Governor Haruhiko Kuroda tries to head off a drop in consumer prices two years after he began unprecedented stimulus in the world's third-biggest economy. The BoJ maintained its plan to expand the monetary base at an annual pace of ¥80 trillion. Kuroda's bid to spur 2% inflation is facing a test, with the BOJ's main gauge sinking to zero because of cheaper oil and the weakness in Japan's recovery from recession. Most economists are forecasting another boost in stimulus by October.

### ■ FOMC minutes Fed split on timing of interest-rate hike

The Federal Reserve was split at its last policy meeting in March on when to raise ultra-low US interest rates, with timing ranging from June to 2016, according to FOMC minutes. There remained a lot of uncertainty on the timing of the liftoff although the officials "continued to think that an increase in the target range for the federal funds rate was unlikely in April". A gradual pace of normalization rate is expected and the minutes also noted that monetary policy would remain highly accommodative even after the first increase. We (UOB) have not changed our Fed rate normalization timetable and expect the Fed rate normalization to take place in 16-17 June 2015 FOMC.

### ■ UK trade deficit hits 7-month high as sales to US slump

Britain posted its widest trade deficit in seven months in February as sales to the US and other countries outside the EU declined sharply. The goods shortfall widened to £10.3 billion from a revised deficit of £9.2 billion in January. Economists predicted a gap of £9 billion for February. Goods exports fell 3.7% in February to £23.2 billion, the lowest since 2010, while imports climbed 0.8%. Shipments to the EU declined 0.3%. There was a 6.6% drop in exports to non-EU countries, with sales to the US falling more than £700 million to £3.6 billion.

### ■ US jobless claims data point to strengthening labour market

The number of Americans filing new claims for jobless benefits rose less than expected last week and the four-week moving average of claims hit its lowest level since 2000, suggesting an abrupt slowdown in job growth in March could be temporary. Initial claims for state unemployment benefits increased 14,000 to a seasonally adjusted 281,000 for the week ended April 4, lower than forecast for 285,000. The four-week moving average of claims, fell 3,000 to 282,250 last week, the lowest level since June 2000. The number of people still receiving benefits after an initial week of aid fell 23,000 to 2.30 million in the week ended March 28, the lowest level since December 2000.

### ■ Greece makes IMF payment, gets bank funds, but doubts remain

IMF Managing Director Christine Lagarde has confirmed Greece made a crucial €459 million loan repayment to the IMF, saying "Yes, I've got my money back". But it remained unclear whether Athens can satisfy sceptical creditors on economic reforms before it runs out of money. Eurozone partners gave Greece six working days to improve a package of proposed reforms in time for finance ministers of the currency bloc to consider whether to release more funds to keep the country afloat when they meet on April 24. Later this month, Athens has to make interest payments of nearly €400 million and roll over €2.4 billion in 6 and 3-month treasury bills maturing on 14 & 17 April.

### ■ China consumer inflation stays at 1.4% year-on-year in March

China's consumer inflation stayed flat at 1.4% in March, while producer prices fell 4.8% from a year ago. Analysts had forecasted CPI to rise 1.3% and for PPI to fall 4.8%. The PPI extended a long-running factory deflation cycle that began in March 2012 to three years. Economists fear deflation risks rising due to weak demand and falling oil prices which have offset rising utilities and public services prices.

## Market Snapshot

Selected Equity Indices	Last (Apr 10)	1-week return	Year-to-date return
Dow Jones Industrial Average	18,057.65	1.66%	1.32%
S&P 500 Index	2,102.06	1.70%	2.10%
FTSE 100 Index	7,089.77	3.75%	7.98%
Euro Stoxx 50	3,816.76	2.73%	21.30%
Nikkei 225	19,907.63	2.43%	14.08%
Hang Seng Index	27,272.39	7.90%	15.54%
Shanghai SE Composite	4,034.31	4.41%	24.72%
BSE Sensex Index	28,879.38	2.19%	5.02%
Straits Times Index	3,472.38	0.54%	3.19%

Source: Bloomberg

## Week Ahead

Economic Calendar (Selected Events)				
Mon, Apr 13	Tue, Apr 14	Wed, Apr 15	Thu, Apr 16	Fri, Apr 17
	<i>PPI-FD</i>	Empire State Mfg Survey	<i>Housing Starts</i>	<i>Consumer Price Index</i>
	<i>Retail Sales</i>	<i>Industrial Production</i>	<i>Jobless Claims</i>	Consumer Sentiment
	Business Inventories	Housing Market Index	<i>Philadelphia Fed Business Outlook Survey</i>	
		EIA Petroleum Status Report		
		Beige Book		
		Treasury International Capital		

Red: Market moving indicator

Black: Merits extra attention

Source: Bloomberg



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