

## Headlines

- [Greece slashes economic growth forecast again in latest reform plan](#). *Reuters.com, 09 May 2015*
- [Euro zone set to report solid growth, for a change](#). *Reuters.com, 10 May 2015*
- [Schaeuble says Greece playing chicken with default risk](#). *Bloomberg.com, 09 May 2015*
- [China opens stimulus tap wider with third interest-rate cut](#). *Bloomberg.com, 10 May 2015*

## Weekly Review (for week ending 08 May 2015)

### ■ China April HSBC PMI shows biggest drop in factory activity for a year

China's factories suffered their fastest drop in activity for a year as new orders fell in April, hardening the case for fresh policy stimulus to boost a flagging economy. The HSBC/Markit manufacturing PMI fell to 48.9 in April, lowest level since April 2014, from 49.6 in March, as demand faltered and deflationary pressures persisted. The result was weaker than a flash reading of 49.2. The overall new orders sub-index dipped to 48.7 in April, also the sharpest contraction in a year, although new export orders showed tentative signs of improvement. Both input and output prices declined for a ninth month in April, while manufacturing employment contracted for an 18th month.

### ■ Singapore's manufacturing economy contracts in April to more than 2-year low

Singapore's manufacturing economy continued to contract in April. The PMI posted a reading of 49.4 points, a dip of 0.2 points from March. This is the fifth straight month of contraction and was at a more than 2-year low. According to the Singapore Institute of Purchasing & Materials Management, the contraction in April was due to a further decline in new orders and new export orders. Singapore's electronics sector fell into contraction in April. The electronics PMI came in at 49.1, down by 1.0 point from March.

### ■ US factory orders climb 2.1% in March, largest gain in 8 months

New orders for US factory goods recorded their biggest increase in eight months in March, boosted by demand for transportation equipment, but the underlying trend remained weak against the backdrop of a strong dollar. The Commerce Department said on Monday new orders for manufactured goods increased 2.1%, the largest gain since July last year. Economists had expected orders to climb 2.4% after a revised 0.1% decline in February. Orders excluding transportation were unchanged in March after edging up 0.1% in February. Orders for durable goods jumped 4.4% in March, but orders for nondurable goods such as processed foods dropped 0.3%.

### ■ RBA rate cut to 2% could be last trim as policy seen close to limits

The RBA slashed the cash rate by 0.25% on Tuesday, taking rates to an historic low of 2%, with many economists tipping it to be the last trim for some time. The cut was in line with market expectations, which had forecast a 76% chance of a rate cut. Governor Glenn Stevens cited weakness in business capital expenditure in both the mining and non-mining sectors, while noting that the bank was working to contain risks in the housing market. The Australian dollar initially dipped after the cut but quickly rebounded amid speculation Mr Stevens' statement indicated the bank's easing cycle had ended. The RBA's statement indicated further rate cuts were unlikely, pointing to the phrase "recent encouraging trends in household demand" and suggested a relatively high hurdle for a further easing in the near term.

### ■ US trade deficit leaps 43% in March means Q1 GDP probably contracted

The US trade deficit widened to a 6½ year high in March as the resolution of a labour dispute at West Coast ports sparked a surge in imports and the strong dollar held back exports. The trade gap jumped US\$15.5 billion, or 43%, to US\$51.4 billion, highest since October 2008. Economists expected a smaller increase to US\$41.7 billion. **Imports** rose 7.7% to US\$239.2 billion from US\$222.1 billion in February, largely on a US\$9 billion rise in consumer goods, such as cell-phones and apparel, a US\$4 billion increase in capital goods and a US\$2.7 billion rise in motor vehicles and parts. **Exports** edged up just 0.9% to US\$187.8 billion from US\$186.2 billion in February. The wider than expected trade deficit may result in the government revising its first estimate of **0.2%** growth in Q1 GDP to a **0.5%** contraction.

### ■ China April HSBC services PMI hits 2015 high

China's services sector grew at its fastest pace this year in April. The services PMI compiled by HSBC/Markit rose from 52.3 in March to 52.9 in April. This is the fourth consecutive monthly rise. HSBC's composite PMI for China in April, which combines both services and manufacturing, dipped from 51.8 to 51.3. The services sector has accounted for the bigger part of China's economic output for at least two years, with its share rising to 48.2% last year, compared with the 42.6% contribution from manufacturing and construction.

### ■ US jobless claims hover near lowest levels in 15 years

Initial claims for state unemployment benefits rose 3,000 to a seasonally adjusted 265,000 for the week ended May 2. Claims for the prior week were unrevised at 262,000, which was the lowest reading since April 2000. Economists had forecast claims rising to 280,000. The four-week moving average of claims fell 4,250 last week to 279,500, the lowest since May 2000. The number of people still receiving benefits after an initial week of aid declined 28,000 to 2.23 million in the week ended April 25, the lowest reading since November 2000.

### ■ US economy adds 223,000 jobs in April; unemployment falls to 5.4%

The US economy added a solid 223,000 jobs in April, a key sign that the labour market is regaining its footing after a slide in March. The unemployment rate fell to 5.4%, a 7-year low. The March data was revised down from 126,000 to 85,000, the worst since June 2012, due to the West Coast port strike and severe winter that kept shoppers and construction crews indoors. There was one clear sign of the hiring bounce-back: The construction industry added 45,000 jobs in April, its best mark in more than a year, after losing 9,000 in March.

## Market Snapshot

Selected Equity Indices	Last (May 8)	1-week return	Year-to-date return
Dow Jones Industrial Average	18,191.11	0.93%	2.06%
S&P 500 Index	2,116.10	0.37%	2.78%
FTSE 100 Index	7,046.82	0.87%	7.32%
Euro Stoxx 50	3,649.48	0.94%	15.99%
Nikkei 225	19,379.19	-0.78%	11.05%
Hang Seng Index	27,577.34	-1.98%	16.83%
Shanghai SE Composite	4,205.92	-5.31%	30.03%
BSE Sensex Index	27,105.39	0.35%	-1.43%
Straits Times Index	3,452.01	-1.01%	2.58%

Source: Bloomberg

## Week Ahead

Economic Calendar (Selected Events)				
Mon, May 11	Tue, May 12	Wed, May 13	Thu, May 14	Fri, May 15
	JOLTS	<i>Retail Sales</i>	<i>Jobless Claims</i>	Empire State Mfg Survey
	Treasury Budget	Import and Export Prices	<i>PPI-FD</i>	<i>Industrial Production</i>
		Business Inventories		Consumer Sentiment
		EIA Petroleum Status Report		Treasury International Capital

Red: Market moving indicator

Black: Merits extra attention

Source: Bloomberg



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