

Headlines

- [Chinese Premier pledges support for firms to 'charge out into the world'](#). *Reuters.com, 04 April 2015*
- [Japan's wary manufacturers resist Abe's urge to splurge](#). *Reuters.com, 05 April 2015*
- [The March jobs report was a wake-up call about the impact of the strong dollar](#). *Bloomberg.com, 03 April 2015*
- [Greece has cash to make IMF payment next week, Minister says](#). *Bloomberg.com, 04 April 2015*

Weekly Review (for week ending 03 April 2015)

■ Japan February factory production falls more than expected

Japan's factory production in February fell by a worse-than-expected 3.4% month-on-month, adding to the gloom enveloping the world's third largest economy as it struggles to overcome last year's tax rise. The figures missed economists' forecast of a 1.8% drop and reversed a revised 3.7% rise seen in January. Japan's industry ministry left unchanged its verdict on the broader trend in factory output. "Industrial production shows signs of increase at a moderate pace", it said in the February report, using the same phrase for January. Manufacturers' forecasts for the coming months still point to a gradual recovery in output, with output expected to fall 2.0% in March and rise 3.6% in April. The outlook is less certain and could complicate the BoJ's task as the economy slowly rebounds from last year's recession.

■ US consumer spending rises modestly; savings at 2-year high

US consumer spending barely rose in February as households used the windfall from lower gasoline prices to boost savings to the highest level in more than two years, the latest sign that the economy hit a soft patch in the first quarter. Consumer spending, which accounts for more than two-thirds of US economic activity, edged up 0.1% last month after dropping 0.2% in January. When adjusted for inflation, spending dipped 0.1%, the weakest reading since April of last year, after rising 0.2% in January.

■ Eurozone inflation declines again, but unemployment rate down

Consumer prices fell 0.1% from a year earlier, Eurostat reported. The inflation rate turned negative in December, falling to as low as minus 0.6% in January. Energy prices in March led the decline, falling 5.8% from a year earlier. The "core" inflation rate, which strips out volatile food and energy costs, actually fell to 0.6% from 0.7%. The latest reading was the lowest since Eurostat began measuring it in 1997. The EU19 seasonally-adjusted unemployment rate was 11.3% in February, down from 11.4% in January, and from 11.8% in February 2014. This is the lowest rate recorded in the eurozone since May 2012. The EU28 unemployment rate was 9.8% in February 2015, down from 9.9% in January and from 10.5% in February 2014. This is the lowest rate recorded in the EU28 since September 2011.

■ UK economy grows 0.6% in Q4, more than estimated

The UK economy grew more than initially estimated in Q4 as consumers and exporters steered Britain into its longest stretch of uninterrupted growth since 2008. Household spending rose 0.6% in Q4 and exports jumped 4.6%, the most since 2013. GDP expanded 0.6%, more than the 0.5% reported last month, for an eighth consecutive quarterly gain. As the economy powers ahead, the BoE says it will keep interest rates at a record low as it monitors the implications of the unprecedented slide in the inflation rate to zero. GDP expanded 3% in Q4 from a year earlier, revised up from 2.7%. The economy grew 2.8% in 2014 and is now 3.7% larger than its previous peak reached in early 2008. The current bout of low inflation will lift real incomes and spur strong spending growth.

■ Better looking manufacturing PMIs belie a weak Chinese economy

China's official manufacturing PMI, the bellwether of large industrial firms, rose to 50.1 in March from February's 49.9. A Reuters forecast had expected a figure of 49.8. The reading was better than the March HSBC final PMI, also released Wednesday, which showed the nation's vast manufacturing sector in contraction. The 49.6 HSBC final PMI, however, is stronger than the preliminary figure of 49.2.

■ US ISM manufacturing index falls in March to lowest rate since May 2013

The ISM manufacturing index dropped to 51.5 in March from 52.9 in February, marking the fifth straight drop and below forecasts for 52.5. The employment gauge slipped 1.4 points to 50. The ISM's new-orders index retreated to 51.8 from 52.5. Last August the index was at a 3-year high of 58.1. Only 10 of the 18 industries tracked by ISM reported growth last month, down from 14 in January and 17 last August.

■ US trade deficit plunges 16.9% in February, lowest since 2009; ports dispute likely a factor

The US trade deficit in February fell sharply to its lowest level since 2009, likely as a since-resolved labour dispute at one of the country's main ports depressed both imports and exports. The deficit plummeted 16.9% to US\$35.4 billion in February, down from US\$42.7 billion in January. Economists were forecasting trade deficit slipping to US\$41.2 billion. The sharp decrease reflects a \$10.2 billion drop in imports since January, likely due to cheaper oil prices and the West Coast ports dispute that interrupted the flow of 20% of the nation's imports. When adjusted for inflation, the deficit narrowed to US\$50.8 billion in February from US\$54.6 billion the prior month.

■ US job growth brakes sharply, clouds Fed rate hike timing

US employers added the fewest number of jobs in more than a year in March, the latest sign of weakness in the economy and one likely to further delay an anticipated interest rate increase by the Fed. Nonfarm payrolls rose 126,000 last month, less than half February's pace and the smallest gain since December 2013, ending 12 straight months of job gains above 200,000. Data for January and February were revised to show 69,000 fewer jobs created than previously reported. While the jobless rate held at a more than 6½-year low of 5.5%, the workforce shrank. The labour force participation rate dropped back to a 36-year low of 62.7% which was last reached in December 2014.

Market Snapshot

Selected Equity Indices	Last (Apr 3)	1-week return	Year-to-date return
Dow Jones Industrial Average	17,763.24	0.29%	-0.34%
S&P 500 Index	2,066.96	0.29%	0.39%
FTSE 100 Index	6,833.46	-0.31%	4.07%
Euro Stoxx 50	3,715.27	0.99%	18.08%
Nikkei 225	19,435.08	0.77%	11.37%
Hang Seng Index	25,275.64	3.22%	7.08%
Shanghai SE Composite	3,863.93	4.68%	19.45%
BSE Sensex Index	28,260.14	2.92%	2.77%
Straits Times Index	3,453.75	0.11%	2.63%

Source: Bloomberg

Week Ahead

Economic Calendar (Selected Events)				
Mon, Apr 6	Tue, Apr 7	Wed, Apr 8	Thu, Apr 9	Fri, Apr 10
ISM Non-Mfg Index	JOLTS	EIA Petroleum Status Report <i>FOMC Minutes</i>	<i>Jobless Claims</i>	Import and Export Prices Treasury Budget

Red: Market moving indicator

Black: Merits extra attention

Source: Bloomberg



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