

## Weekly market watch

As at Friday June 8, 2018

## Equities

Region / Country	Index	Close	Net Change	Performance	
				Year-to-date	52-week
<b>Asia-Pacific</b>					
Hong Kong	HSI	30958.21	465.30	3.47%	18.78%
India	BSE 30	35443.67	216.41	4.07%	13.55%
Japan	Nikkei	22694.50	523.15	(0.31%)	13.99%
Singapore	STI	3436.37	8.86	0.98%	6.16%
South Korea	KOSPI	2451.58	12.62	(0.64%)	3.72%
Taiwan	WSE	11156.42	207.34	4.83%	9.10%
Shanghai	COMPOSITE	3067.15	(7.99)	(7.26%)	(2.64%)
<b>Europe</b>					
France	CAC	5450.22	(15.31)	2.59%	3.53%
Germany	DAX	12766.55	42.28	(1.17%)	0.42%
Italy	FTSE MIB	21355.98	(753.57)	(2.28%)	1.49%
Russia	RTSI	1142.90	(21.47)	(1.00%)	10.20%
UK	FTSE 100	7681.07	(20.70)	(0.09%)	3.10%
<b>Americas</b>					
Brazil	IBOV	72942.07	(4297.68)	(4.53%)	16.23%
Mexico	IPC	45939.54	926.41	(6.92%)	(6.41%)
Nasdaq	CCMP	7645.51	91.18	10.75%	20.94%
US	S&P 500	2779.03	44.41	3.94%	14.19%
US	DOW	25316.53	681.32	2.42%	19.52%

## Bonds

	Close	Yield		
		Week ago	Month ago	Year ago
10 Year Gilt	1.3880	1.2780	1.4440	1.0330
10 Year OAT	0.8180	0.7090	0.8060	0.6460
10 Year Bund	0.4490	0.3860	0.5610	0.2560
10 Year Japan	0.0470	0.0480	0.0530	0.0690
10 Year Treasuries	2.9461	2.9022	2.9760	2.1885

## Base lending rates

Prime Rates	Latest	6 months ago	12 months ago
US	4.75	4.25	4.00
Canada	3.45	3.20	2.70
Japan	1.48	1.48	1.48
Britain	0.50	0.50	0.25
ECB	0.00	0.00	0.00
Switzerland	0.50	0.50	0.50
Australia	1.50	1.50	1.50
Hong Kong	5.25	5.25	5.25

% change is for indication only; local currency except where stated.

- U.S. stock indexes rose Friday and posted healthy weekly gains as advances in consumer stocks offset declines in energy shares. Analysts warned that continued global tensions were contributing to high volatility. The DJIA rose 0.30% on Friday, closing at 25,316.53 and was up 2.77% for the week. The S&P 500 rose 0.31% on Friday to 2,779.03, resulting in a rise of 1.62% for the week. The tech heavy Nasdaq inched up 0.14% on Friday to 7,645.51, allowing for a 1.21% rise for the week.
- Trade tensions continued last week, with the U.S. President Donald Trump refusing to back down on the imposition of tariffs on steel and aluminum imports from allies Canada, Mexico and the European Union, or his threat to impose additional sanctions on \$50 billion of Chinese imports in retaliation for allegedly theft of U.S. intellectual property. Mexico and Canada imposed retaliatory sanctions on U.S. goods and the EU was preparing to do so. Trade negotiations between the U.S. and China last weekend produced no breakthrough, though the Chinese did offer to buy \$70 billion in U.S. products to reduce the bilateral trade imbalance, according to media reports. However, the Chinese warned that promises to buy more U.S. would be withdrawn if the U.S. imposed new sanctions. U.S. Commerce Secretary Wilbur Ross announced Thursday a deal under which U.S. sanctions on Chinese tech company ZTE would be lifted after the firm pays a \$1 billion fine, puts an additional \$400 million in escrow in case of future violations, and makes management changes. The hope is that the ZTE deal will lead to further trade negotiation progress. Trump's trade moves were roundly condemned at the Group of Seven leaders' summit in Quebec, Canada at the weekend. Much of the U.S. business community lined up in opposition to Trump's trade policies, warning they could cost millions of American jobs.
- Trump will head directly from the G-7 meeting in Canada to Singapore, where he will meet with North Korean leader Kim Jong-un on Tuesday. Trump expressed hope that he and Kim would be able to sign an agreement formally ending the Korean War, and held out the prospect that he would invite Kim to visit the White House if negotiations went well.
- Microsoft announced Monday that it will buy on-line code-sharing platform GitHub for \$7.5 billion as part of its continued push into open-source software via cloud computing. The move will give Microsoft access to GitHub's network of 28 million software developers, many of whom write programs for rivals such as Google and Amazon.
- Retail titan Walmart said Monday it had sold an 80% majority stake in Walmart Brazil to Sao Paulo-based private equity firm Advent at a loss of \$4.5 billion, which it attributed the sharp drop in the value of the Brazilian currency. The move is the latest in Walmart's strategic shift in foreign markets.
- The European Commission is actively considering imposing a large antitrust fine on Google for the firm's preferential promotion of its own products on its Android smartphone operating system, the Financial Times reported Wednesday. The Commission fined Google \$2.7 billion a year ago for its comparison shopping practices.
- Media firm Discovery Inc announced Monday that it has reached a 12-year, \$2 billion agreement with the Professional Golfers' Association (PGA) to stream PGA tournaments live to every country outside the United States. The new golf channel is Discovery's latest move to expand its direct streaming services and adds to the content portfolio that includes Animal Planet, the Oprah Winfrey network, HGTV, the Food Channel and the Cooking Network.
- Shares in diagnostics firm Genomic Health soared by more than 30% Monday after a new study showed that a generic test it had developed was a good indicator of when women with early stage breast cancer would need chemotherapy. The Genomic test showed that chemotherapy did not improve the surgical prospect for 70% of women studied, meaning they could avoid the costly and unpleasant procedure.
- Facebook was again on the defensive Monday after the New York Times reported that the social media giant had long-standing agreements with more than 60 device makers, including four Chinese companies, that allowed them access to Facebook user data without the users' permission. Facebook denied that the data had been misused.
- Stock in electric car maker Tesla rose Tuesday after CEO Elon Musk repeated that it is likely the company would improve the production rate for the new Model 3 to 5,000 units per week by the end of this month. He also repeated that the company would be cash-flow positive and have positive net income in the third and fourth quarters and so would not need a new cash infusion this year, an assertion that many analysts dispute. At the company's annual general meeting on Tuesday, shareholders easily defeated proposals to strip Musk and other members of the Tesla board of their jobs.
- U.S. airline stocks fell Tuesday after discount carrier Southwest predicted a decline in traffic in the current quarter. Southwest said late Monday that it now expects revenue per available seat mile, a key metric, to drop 3% compared to a year ago due to lower bookings. Southwest's bookings were adversely affected by the mid-air explosion of an engine on one of its jets last month that killed one passenger.
- Hudson's Bay became the latest bricks-and-mortar retailer to close some of its outlets due to falling sales. It announced Tuesday that it would shutter another 10 Lord & Taylor stores, including the flagship store on New York's 5<sup>th</sup> Avenue. In the three months to May 5, like-for-like sales fell 0.7% compared to a year-earlier, with net losses more than doubling.
- U.S. memory chip manufacturer Micron Technology Inc., along with South Korea chipmakers Samsung Electronics Co. and SK Hynix Inc., are being investigated by Chinese authorities for possible monopolistic pricing behavior in dynamic random-access memory (DRAM) chips. The three companies control the global market for DRAM chips, with prices

- having risen sharply in the last two years due to strong demand. China's State Administration for Market Regulation visited the Chinese offices of all three manufacturers recently.
- United Natural Foods, which distributes natural and organic food to supermarkets in the U.S., including Amazon's Whole Foods, reported Wednesday that sales rose 11.8% from a year ago to \$2.65 billion in its fiscal third quarter, above expectations. Adjusted earnings increased to \$1.04 per share in the quarter ending April 28, above expectations for 93 cents.
- Industrial equipment maker Fortive Corp. has bid \$2.7 billion to buy the Advanced Sterilization Products unit of Johnson & Johnson. Fortive said the acquisition would help it increase revenues in attractive markets.
- Tech firm Broadcom reported strong quarterly earnings Thursday despite its failure to win U.S. government approval to buy rival Qualcomm. Net revenue rose to \$5.0 billion in the three months to May 6, up from \$4.19 billion in the year-earlier period. Adjusted net income rose to \$4.76 per share, above expectations. Broadcom recently moved its headquarters back to the U.S. from Singapore.
- Shares in Qualcomm and NXP Semiconductors jumped on Thursday after the U.S. government's announcement of a deal that would lift sanctions on Chinese tech firm ZTE. Investors hope that the ZTE deal will prompt Chinese government to approve Qualcomm's proposed \$47 billion purchase of NXP.
- U.S. drugmaker Pfizer won its appeal of an 84-million-pound UK government fine for its drug pricing policies. The Competition Appeals Tribunal ruled that the UK competition authority had erred in its conclusion that Pfizer had used its market dominance to unfairly raise prices.
- Shares in Costco jumped to an all-time high Thursday after the discount warehouse retailer posted a strong sales report for May. Costco reported that net sales rose 14% to \$11.0 billion in the four weeks ended June 3, while like-for-like sales rose 11.7%.

## UK

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- The FTSE 100 fell 0.30% on Friday to 7,681.07 and fell 0.27% on the week, the third consecutive weekly decline, as concerns about the UK government's Brexit strategy weighed on sentiment.
- UK Prime Minister Theresa May was openly feuding with her cabinet over whether the UK should continue to follow EU customs rules for an indefinite period after Brexit. Given the continuing disagreement, May has given up her plan to present to European Union leaders at their summit meeting later this month a plan for UK-EU ties after Brexit. The UK business community is increasingly discontent that there is no agreement with the EU on a post-Brexit plan that would allow them to plan for the future.
- The UK government announced Monday that it would begin the process of selling off its majority stake in Royal Bank of Scotland acquired during the global financial crisis. UK Government Investment, the entity that owns the RBS stock, said it plans to sell approximately 925 million shares, or about 7.7% of the outstanding shares, estimated to be worth 2.6 billion pounds. The government said it plans to sell about 3 billion pounds worth of its RBS holdings each of the next five years to dispose of its current 70.1% holding.
- The UK government gave Rupert Murdoch's 21<sup>st</sup> Century Fox permission to bid for the 61% of pay TV network Sky as long as he sells Sky News to Disney. However, Comcast may bid for the portion of Sky that Fox does not control, which would complicate Disney's \$54 billion bid for Fox's entertainment assets. Comcast is considering making its own bid for those assets.
- UK chip designer Arm Holding said Tuesday it will sell a 51% majority stake in its Chinese unit to investors and partner firms for \$775 million. Arm is owned by Japan's SoftBank, which purchased the firm for 24 billion pounds two years ago and has signaled that it will sell a 25% stake to its Vision Fund.
- UK Transportation Secretary Chris Grayling gave his approval Tuesday for the building of a third runway at London's Heathrow Airport. The new runway, estimated to cost 14 billion pounds to build, is highly controversial and faces more challenges before it is completed, including a House of Commons vote later this month. The government expects to pay up to 2.6 billion pounds in compensation to local residents for pay for noise insulation or to buy their homes so they can move elsewhere.
- CMC markets, the on-line derivatives trading platform, announced Wednesday that profits rose 24% in the year to the end of March, as its move to attract rich clients produced results. Pre-tax profit rose to 60 million pounds from 48 million pounds, while operating income rose 16% to 187 million pounds.
- UK biotech firm Oxford BioMedica concluded a worldwide licensing agreement with U.S.-based Axovant Sciences to commercialize its gene therapy for Parkinson's disease. BioMedica shares rose nearly 20% on the news.
- Lloyd's Banking Group announced Thursday that it was selling the remaining 3.3% stake it owns in asset manager Standard Life Aberdeen. The stake was worth 335 million pounds at Thursday's market price. Lloyd's recently withdrew its mandate for SLA to manage a 109-billion-pound portfolio for its Scottish Widows life insurance business, citing competitive concerns with SLA's life insurance business.

- The English Premier League announced Thursday that U.S. ecommerce giant Amazon had won the right to broadcast 60 EPL matches in the UK over three seasons, the first time a big tech firm had won rights to the most watched sport in the UK. The EPL did not disclose the price Amazon paid for the broadcast rights.
- BT fired CEO Gavin Patterson on Friday due to doubts among shareholders with this ability to restructure the telecom group. BT's stock has languished since he announced 13,000 job cuts and major cost savings only a month ago.

## Europe (ex. UK)

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- Europe's Eurofirst 300 index slumped 0.24% on Friday to 1,505.50 and was down 0.57% on the week, as concerns about the policies of the new Italian government, weak Eurozone economic data and U.S. trade policies depressed market sentiment.
- Italian banking giant UniCredit is considering a merger with French rival Societe General that would create a European banking powerhouse, the Financial Times reported Monday. Discussions are at an early stage and no formal offer has been made, officials from both banks told the FT. The discussion comes amid increasing expectations of a major consolidation of the fragmented European banking industry.
- Italian government-controlled energy firm Enel said Monday that it had purchased 73% of the shares of Brazilian power company Electropaulo for 5.5 billion real (\$1.5 billion). The move makes Enel the largest electricity generator in Brazil.
- Russian energy and metals holding company EN+ has hired investment bank Rothschild to help sell off part of oligarch Oleg Deripaska's controlling stake in the firm. The U.S. Treasury has given Deripaska until August 5 to relinquish his control of EN+ and aluminum producing subsidiary Rusal to avoid punitive sanctions on both firms.
- French bank Societe General has agreed to pay a \$1.3 billion fine to U.S. and French authorities for an alleged bribery scheme in Libya and for manipulating the LIBOR interest rate market. It was the first time U.S. and French authorities had coordinated on an enforcement action.
- French carmaker PSA Group will suspend its joint venture operation in Iran to avoid new U.S. sanctions on the country. PSA, like French oil company Total, is working with the French government to seek an exemption from U.S. sanctions.
- Deutsche Bank, Germany's largest financial institution, received more bad news this week, leading its board to call an emergency meeting. Australian authorities announced that they are investigating Deutsche, Citigroup and JPMorgan for alleged failure to disclose material information during the institutional sale of Australia and New Zealand Banking Group (ANZ) shares in 2015. Deutsche's stock price is near an historic low following S&P's recent credit downgrade.
- Volvo Cars unveiled its new business plan Thursday that aims to double sales and boost the profit margin 50% by the middle of the next decade. The plan envisions that half of its cars will be fully electric, 50% will be part of its subscription service and 30% will contain fully autonomous capabilities by 2025. The plan aims to raise the company's profit margin to 9%, in line with luxury car makers.
- Credit Suisse said Wednesday it would pay a \$47 million fine to settle U.S. Department of Justice charges over its practice of hiring relatives of powerful Chinese officials to boost business in China. JPMorgan agreed to pay \$264 million in 2016 to settle similar charges brought by the DoJ.
- Deutsche Bank AG Chairman Paul Achleitner has explored the possibility of merging his bank with German rival Commerzbank AG with key shareholders and German government officials, Bloomberg reported Thursday. No formal merger discussions have taken place and a number of obstacles, including Deutsche's weak share price, stand in the way of any deal.

## Japan

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- Japan's Nikkei 225 Index fell 0.56% on Friday to 22,694.50 but rose 2.36% on the week on rising optimism about global trade. The index rose for the first time in three weeks.
- Shares in electronics maker Sharp dropped almost 10% Tuesday after the firm announced it plans to issue 200 billion yen (\$1.8 billion) in new shares to help it expand its internet development. Sharp said it would use most of the money raised to pay off debt accumulated during its financial difficulties several years ago, difficulties that led to the purchase of the firm by Taiwan's Foxconn.
- A group of shareholders in Takada Pharmaceutical, including founding family members, have banded together to oppose the company's 46-billion-pound purchase of Irish drugmaker Shire, arguing that the price paid for the acquisition risks the company's long-term financial health. The group holds less than 1% of company stock, so it would not be able to block the acquisition without the help of other major shareholders.
- Japanese prosecutors and police raided Kobe Steel's headquarters and other offices on Tuesday as part of the investigation into falsification of quality control data. The investigation is trying to determine whether senior company officials should be held liable for false labeling of its products.

- Toshiba Corp. announced Tuesday that it would sell its struggling personal computer business to Sharp Corp. for about 4 billion yen. The move is part of the Toshiba's continued efforts to streamline its operations and improve profitability following the business crisis in its nuclear power subsidiary that nearly caused the collapse of the entire firm.
- Japanese Prime Minister Shinzo Abe and U.S. President Donald Trump agreed following their meeting in Washington Friday to hold bilateral trade negotiations in late July. Trump is pushing for a trade deal that reduces the U.S. trade deficit with Japan.

## Asia-Pacific (ex. Japan)

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- Mainland China's Shanghai Composite Index fell 0.26% to 3,067.15 last week, the third consecutive weekly drop, as concerns about possible new U.S. trade sanctions offset the news of the ZTE rescue deal.
- Hong Kong's Hang Seng index rose for only the second time in the last seven weeks, up 1.53% to 30,958.21, on relief after the ZTE rescue deal was announced.
- Taiwan's Taiex index jumped 1.89% on the week to close at 11,156.42 on optimism about the economic outlook despite rising global trade tensions.
- South Korea's Kospi rose 0.52% on the week at 2,451.58 on cautious optimism about the outlook for the summit meeting June 12 between U.S. President Donald Trump and North Korean leader Kim Jong-un.
- The Singapore Straits Times Index rose for the first time in four weeks, inching up 0.26% to 3,436.37, on cautious optimism about the outlook.

## Emerging Markets

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- Brazil's Bovespa closed at 72,942.07 on Friday, plunging 5.56% from the previous week, as the real dropped sharply, worsening economic turmoil produced by a weeks-long truckers' strike over high fuel oil prices.
- Mexican stocks rose for the first time in eight weeks after the government imposed sanctions on U.S. imports in retaliation for U.S. steel and aluminum tariffs. The IPC index rose 2.06% on the week to close at 45,939.54.
- India's BSE rose 0.61% on the week to 35,443.67, as major issues rose after the Bank of India raised interest rates for the first time since 2014 due to rising oil prices and inflationary pressures.
- Russia's RSTI index fell 1.84% to 1,142.90 last week, weighed down by continued reports that oil producers will boost output to keep prices from rising further.

## Alternative Assets

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- Oil prices eased Friday to post a small decline for the week on continued concerns that OPEC members will agree at their June 22 meeting to boost output to offset lower supply from Iran and Venezuela. The July West Texas Intermediate (WTI) crude oil contract fell 0.3% on Friday to \$65.74 per barrel. WTI was down 0.1% last week, the third straight weekly decline. The August contract for international standard Brent crude fell sharply Friday, down 1.1% to \$76.46, pulling Brent down 0.4% for the week.
- Gold futures prices fell on Friday but remained above the key level of \$1,300 per ounce as continued global trade tensions supported the precious metal. August gold inched down 30 cents on Friday but gained 0.3% on the week to \$1,302.70 per troy ounce.

## Fixed Income

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### US

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- The yield on benchmark 10-year Treasuries ended the week at 2.9461%, up from 2.9022% at the end of the previous week, on rising global trade tensions.
- The value of new factory orders fell 0.8% in April, below the 0.5% decline expected by analysts, data released by the Commerce Department Monday showed. The larger-than-expected decline in factory orders was due to a soft 0.1% gain in nondurable goods orders despite a 0.6% gain in petroleum and coal products. Durable goods orders were revised up slightly to a 1.6% decline from the 1.7% drop reported in the advance estimate. Factory orders excluding transportation were up 0.4% in April following a 0.5% gain in March, continuing the string of gains that stretches back virtually uninterrupted for the past two years. In addition, unfilled orders were up 0.5% in April, showing some pent-up demand for products that will need to be worked down in the coming months.
- The U.S. international trade gap narrowed to \$46.2 billion in April from \$47.2 billion in March, a much smaller gap than the \$48.8 billion deficit expected, reflecting a rise in exports and a decline in imports, data released by the Commerce

Department Wednesday morning showed. The April trade gap was smaller than the first quarter average. The unadjusted bilateral trade gap with China widened to \$28.0 billion in April from \$25.9 billion in March and \$27.7 billion a year ago.

- First quarter non-farm productivity was revised down to a 0.4% gain, while unit labor cost growth was revised up to a 2.9% pace, the strongest in a year. Productivity now stands 1.3% higher than a year earlier, slightly faster than the 1.2% rate in the fourth quarter. Unit labor costs were up 1.3% year/year in the first quarter after a 1.8% year/year gain in the fourth quarter, up from the year/year rates seen in early 2017.

## UK

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- The yield on 10-year Gilts closed the week at 1.3880%, up sharply from 1.2789%, a week earlier, on global trade concerns and worries about Brexit.
- A 25-basis-point increase in UK Bank Rate would still leave policy in stimulatory territory and would be equivalent to easing back on the accelerator rather than applying the brakes, Bank of England Monetary Policy Committee (MPC) member Ian McCafferty said Wednesday. McCafferty, one of the two members who voted for a rate hike at the MPC's May meeting, said that his colleagues all accepted that if the economy evolved as they expected that Bank Rate would have to be increase at some stage. He said that inflation has held above the 2% target and that the economy could withstand monetary tightening, with private sector debt having come down a lot from its peak.
- UK retail sales growth recovered after its record decline in April, largely attributed to better weather and the bank holiday effect leading shoppers to buy from garden furniture and summer fashion ranges, British Retail Consortium (BRC) data released Tuesday showed. May like-for-like sales rose 2.8% from May 2017, when they decreased 0.4% y/y. Furthermore, total sales growth of 4.1% was above the 3-month and 12-month averages of 1.2% and 1.5%, respectively and is the highest increase since January 2014, when not including Easter distortions.
- UK service sector activity posted a solid upturn in May, with firms' sentiment boosted by higher levels of overall work as they catch up from snow-related disruption seen earlier in the year, data from the latest IHS Markit/CIPS survey showed. The UK Service Purchasing Managers' Index (PMI) rose to 54.0 in May from 52.8 in April, the highest reading since February.
- UK construction sector activity was unchanged in May after the sharp recovery in April from March's decline below the 50.0 threshold between sector expansion and contraction. The figure indicates a modest increase in total activity but is historically subdued. The UK Construction Purchasing Managers' Index (PMI) stood at 52.5, with the report highlighting new business growth slipping back into contraction amid general uncertainty about the outlook, in sharp contrast to the optimism seen in April's 12-month business outlook.
- UK house price inflation decelerated in May, with year-on-year growth falling to 1.9%, down from the 2.2% annual growth in April, according to data from Halifax, the UK's leading mortgage provider. The more volatile monthly data showed price growth of 1.5% in May, recovering from a fall of 3.1% in April. On a three-month over three-month basis, house prices rose 0.2% in the March-May period relative to the December-February period.

## Europe (ex. UK)

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- The yield on benchmark 10-year Bunds finished the week at 0.4490%, up from 0.3860%, on data showing weaker eurozone growth, rising political concerns in Europe, and growing concerns about global trade risks.
- First quarter European GDP rose 0.4% quarter-on-quarter, in line with expectations, slowing from 0.7% q/q growth in each of the previous three quarters. France and Germany saw marked drops in their growth rates compared to Q4, while Spain's growth rate held steady and Italy's dropped slightly. France's growth rate declined from 0.7% in Q4 to 0.2% in Q1 while German growth slowed to 0.3% from 0.6%. Spain remained at 0.7% GDP growth whereas Italy dipped 0.1 percentage point to 0.3% in Q1. Household consumption and business investment boosted Q1 growth, while net exports were negative.
- The Eurozone growth slowdown looks to have continued in the second quarter, with the rate of expansion in activity dropping to an 18-month low in May, according to data released by IHS Markit Tuesday. The Eurozone Purchasing Managers' Composite Output Index (PMI) fell a point to 54.1 in May, in line with the flash estimate, the lowest outturn since November 2016. Despite easing each month since January's peak, overall growth remains relatively solid, with the headline index signaling expansion in each of the past 59 months.
- The slow but steady rise of inflation toward the European Central Bank's goal is continuing and will determine when the central bank will end the Asset Purchase Programme, ECB Chief Economist Peter Praet said in a speech on Wednesday. Speaking in Berlin at the Congress of Actuaries, Praet laid out the three criteria the Governing Council will use to determine the future path of policy. "First, the convergence of the projected headline inflation to our medium-term aim; second, confidence in the realisation of this convergence path; and third, the resilience of inflation convergence even after the end of our net asset purchases," he said. In his view, the first two criteria are close to being fulfilled. "As for

our third criterion, resilience, waning market expectations of sizeable further expansions of our programme have been accompanied by inflation expectations that are increasingly consistent with our aim," he added.

- Eurozone retail sales rose to 1.7% year-on-year in April, helped by a positive base effect. The April reading was up from 1.5% in March but still below the 1.8% reading posted in February. On a month-over-month basis, retail sales rose 0.1%, down from 0.4% in March and 0.3% in February.
- Manufacturing orders in Germany, the Eurozone's largest economy, fell 2.5% month-on-month in April, the fourth monthly drop in a row. Domestic orders fell 4.8% in April while foreign demand dropped 0.8%. The level of orders in April stood 7.1% below the level in December, underscoring the slowdown in the Eurozone economy this year.
- German industrial production fell 1.0% in April, partly offsetting the 1.7% gain in March. The April decline was led by weaker manufacturing output. The level of industrial production in April stood 1.0% below the level in December, underscoring the slowdown in the Eurozone's largest economy.
- The German trade surplus narrowed in April to 19.4 billion euros from 21.6 billion euros in March. Exports declined 0.3% while imports rose 2.2%,

## Japan

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- The yield on 10-year JGBs closed the week at 0.0470%, down slightly from 0.0480% the previous week, as the Bank of Japan maintained its current monetary policy.
- First quarter real GDP contracted 0.2% on quarter, or an annualized -0.6%, unrevised from the preliminary estimates, the government announced Friday. It was the first contraction in nine quarters, since Q4 of 2015, when it shrank 0.3% on quarter, or 1.2% on an annualized basis. The domestic demand contribution was unrevised at -0.2 percentage point. Business investment was revised up to +0.3% on quarter, or an annualized +1.3%, from the initial reading of -0.1% on quarter, or an annualized -0.3%. This was offset by a downward revision to private-sector inventories, whose contribution to GDP was cut to -0.2 percentage point from -0.1 percentage point in the initial estimate. Net exports of goods and services made an unrevised +0.1 percentage point contribution
- Japan's real average household spending posted the third straight year-on-year drop in April, down 1.3%, as expenditures on gift money and domestic packaged tours continued to decline, data released Tuesday by the Ministry of Internal Affairs and Communications showed. Japan's economy appears to have a slow start to the April-June quarter, judging from industrial production and household spending, after it posted the first contraction in about two years in the first quarter as the severe winter weather dampened consumption. Economists expect a GDP rebound in Q2.
- Average wage growth in Japan slowed to its trend growth under 1% in April after a temporary jump in March, with real wages slipping back to flat in the face of the rising cost of living, preliminary data released Wednesday by the Ministry of Health, Labour and Welfare showed. Total monthly average cash earnings per regular employee in Japan rose 0.8% on year to Y277,272 in April, the ninth straight year-on-year rise. It followed a 2.0% jump in March caused by temporary factors, such as lump-sum allowances paid by some firms and temporary bonuses based on high earnings in fiscal 2017 that ended in March. In real terms, average wages were unchanged on year in April after marking the first year-on-year rise in four months in March, up 0.7%. The recent weak trend was caused by the rising cost of living. The total CPI minus imputed rents rose 0.8% on year in April, with the pace of increase decelerating from a peak of +1.8% in February as fresh food prices eased after a surge late last year.
- A key sentiment indicator slumped in May, hit by disappointing sales during the Golden Week holidays, falling profit margins on higher labor and material costs and concerns that rising prices of daily necessities will make consumers more frugal, a government survey released Friday showed. The Economy Watchers Survey conducted between May 25 and May 31 also showed that sentiment was dampened by uncertainty over U.S.-North Korean peace talks, the impact of U.S. trade disputes and fluctuating financial markets. The Economy Watchers sentiment index for Japan's current economic climate plunged 1.9 points to 47.1 in May on a seasonally adjusted basis after edging up 0.1 point to 49.0 in April. It was the first month-on-month drop in three months. The index stayed below the key level of 50 for the fifth consecutive month. The Economy Watchers outlook index showed sentiment about the situation two to three months ahead marked the first drop in two months, falling 0.9 point to 49.2 in May after rising 0.5 point to 50.1 in April.

Source: Market News International

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