Schroders

Weekly market watch

As at Friday May 10, 2019

Equities

Region / Country	Index	Close	Net Change	Performance Year-to-date	Performance 52-week
Asia-Pacific					
Hong Kong	HSI	28,550.24	(1,531.31)	10.46%	-8.26%
India	BSE 30	37,462.99	(1,500.27)	3.87%	6.29%
Japan	Nikkei	21,344.92	(962.66)	6.65%	-6.21%
Singapore	STI	3,273.50	(118.79)	6.67%	-8.31%
South Korea	KOSPI	2,108.04	(104.71)	3.28%	-14.92%
Taiwan	WSE	10,712.99	(383.31)	10.13%	-1.34%
Shanghai	COMPOSITE	2,939.21	(139.13)	17.86%	-7.08%
Europe					
France	CAC	5,327.44	(221.40)	12.61%	-3.94%
Germany	DAX	12,059.83	(352.92)	14.21%	-7.39%
Italy	FTSE MIB	20,874.78	(888.70)	13.92%	-13.14%
Russia	RTSI	1,213.79	(24.26)	13.57%	6.27%
UK	FTSE 100	7,203.29	(148.02)	7.06%	-6.46%
Americas					
Brazil	IBOV	94,257.56	(1,750.33)	7.25%	9.78%
Mexico	IPC	43,382.35	(894.89)	4.18%	-6.81%
Nasdaq	CCMP	7,916.94	(247.06)	19.32%	6.91%
US	S&P 500	2,881.40	(64.24)	14.94%	5.81%
US	DOW	25,942.37	(562.58)	11.21%	4.86%

Bonds

	Close	Yield Week ago	Yield Month ago	Yield Year ago
10 Year Gilt	1.1350	1.2190	1.0970	1.4300
10 Year OAT	0.3480	0.3730	0.3240	0.7970
10 Year Bund	-0.0450	0.0250	-0.0260	0.5570
10 Year Japan	-0.0490	-0.0400	-0.0530	0.0530
10 Year Treasuries	2.4672	2.5250	2.4649	2.9622

Base lending rates

Prime Rates	Latest	6 months ago	12 months ago
US	5.50	5.25	4.75
Canada	3.95	3.95	3.45
Japan	1.48	1.48	1.48
Britain	0.75	0.75	0.50
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.

Equity Markets

US

- All three U.S. stock indexes rose on Friday but fell for the week due to the escalation in the U.S.-China trade tension. The Dow Jones Industrial Average rose 0.44% on Friday but fell 2.12% for the week to close at 25,942.37. The S&P 500 index rose 0.37% on Friday but fell 2.18% on the week to 2,881.40. The Nasdaq rose 0.08% on Friday, but the index fell 3.03% for the week to close at 7,916.94, its first decline in seven weeks.
- The United States raised the tariff rate on $200 billion of Chinese imports to 25% from 10% effective at 00:01 Eastern time on Friday, after last-minute talks in Washington between U.S. and Chinese officials failed to reach agreement on a trade deal. The tariff hike fulfilled a threat made by US President Donald Trump the previous Sunday, when he accused China of reneging on a series of promises it had previously agreed to in the negotiations. The Chinese Ministry of Commerce said after the tariffs went into effect that it regretted the move and would be forced to take unspecified "necessary countermeasures." A Reuters report said that after the 10th round of negotiations in the week of April 29, China had returned the 150-page text of the trade deal document after striking out all the sections that promised to codify into law the agreements on intellectual property rights protection, forced technology transfer, government subsidies and other key issues. US Trade Representative Robert Lighthizer had made this a key requirement to ensure China adequately enforced provisions of the deal. A final set of talks on Friday morning between Chinese Vice Premier Liu He, Lighthizer and U.S. Treasury Secretary Steven Mnuchin ended after only a few hours with no apparent progress. The USTR warned that it had started the process of implanting Trump's threat to impose tariffs on the remaining $325 billion in Chinese imports that do not now have tariffs unless China offered new concessions. Chief Chinese trade negotiators Liu He denied that the talks had "broken down" and also denied that China had reneged on promises made in previous negotiations. He said the talks would continue, but there was no immediate information on when the next round of talks would be held.
- Ride-hailing and delivery firm Uber, like its U.S. rival Lyft, had a disappointing first day of trading after its market debt. On Friday, shares in Uber fell 8% below Thursday's initial offer price of $45 per share, itself at the low end of the company's offering range because of fears of just such an outcome. The first-day drop, one of the largest in IPO history, left investors wondering about the outlook for shares of tech companies that are still generating large losses and have no clear path to profitability. Some analysts blamed the drop on poor overall market conditions, with markets spooked by the sharp rise in trade tensions between the U.S. and China. The outlook for Uber's share price is unclear. Lyft's shares have continued to slide and are now almost 30% below their IPO price. Uber raised $8.1 billion from its IPO, valuing the company at $82 billion, below expectations for a valuation of $100-120 billion only a few months ago.
- Occidental Petroleum won the bidding to buy oil exploration and production company Anadarko after Chevron said Thursday it would not raise its offer from $48 billion. Occidental paid $56 billion to acquire Anadarko, making the combined entity the largest player in the shale oil and gas rich Permian Basin in the Southwestern U.S. Chevron received a $1 billion buyout fee. Occidental had raised the cash portion of its bid so that it could reduce its share offering to less than 20%, meaning it did not require shareholder approval. Many shareholders felt that the company had paid too much for Anadarko.
- Walt Disney Co. posted stronger than expected sales and profits in the first quarter, as revenue from its theme parks offset weak film studio earnings. Adjusted earnings were $1.61 per share, down from last year but above expectations for $1.59 per share. Sales were $14.9 billion, above expectations for $14.4 billion. Film studio earnings to the end of March fell compared to a year earlier, before the release of the blockbuster *Avengers: Endgame*. Year-earlier film revenues were flattered by the strong showings by *Black Panther* and *Star Wars: The Last Jedi*.
- Profits at media company Fox rose in the calendar first quarter by an increase in advertising revenue and strength in its TV networks. Overall earnings were $529 million, or 85 cents per share, in its fiscal third quarter, up from $457 million, or 74 cents, a year earlier. Revenues were $2.75 billion, above expectations for $2.61 billion. This was Fox's first earnings report since selling much of its entertainment business to Walt Disney for $71 billion, which left the company with the Fox broadcasting network, Fox Sports, and the Fox News and Fox Business news channels.
- Shares in chipmaker Intel fell on Wednesday after the company forecast modest profit growth over the next three years. The company said it would have just a 28% market share by 2023 in a sector it once dominated. The company said it expected "single digit" profit growth in the next three years, with flat PC chip sales offset by double digit data center chip revenue growth. The company said its margin would decline as it invests in production of new faster 10-nanometer chips.

UK

- The FTSE 100 fell 0.06% on Friday and 2.40% on the week to close at 7,203.29 on renewed concerns about Brexit and the outlook for the global economy due to the increase U.S.-China trade tensions.

- Cross party talks between UK Prime Minister Theresa May and opposition Labour party leader Jeremy Corbyn neared collapse, as neither side has shown a willingness to compromise on key elements of their positions. May suggested last week that she might bring her thrice-defeated Brexit transition bill to a vote in Parliament in the next two weeks, but there is no sign she has the necessary support from her own party to pass it. Rumors continued to swirl about how long May can remain in power given lack of progress. In addition, some in May's Conservative party have called for the government to start preparations for a no-deal Brexit on or before October 31, the European Union's deadline for an agreement. Attention is also turning to the European Parliament elections on May 23. Both the Conservative and Labour parties fear that voters will revolt against the political establishment in the EU poll, as they did in the recent local elections, and elect radical politicians to the EU Parliament.
- Mukesh Ambani, India's richest man, bought iconic UK toy retailer Hamley's for 68 million pounds. Ambani's Reliance Industries purchased the 260-year old company, the third time it has changed hands in the last seven years. Ambani already owned Hamley's India franchise and bought the rest of the company, which includes 167 stores in 18 countries.
- UK telecoms group BT said that full-year profits fell 2% last year. EBITDA earnings for the year to March 31 were 7.39 billion pounds, within expectations. Revenues fell 1% to 23.4 billion pounds. The company said it would invest 8 billion pounds in increasing broadband internet coverage to 3 to 4 million homes by March 2021. The company maintained its dividend at 15.4 pence per share and said it would do the same in the current fiscal year.
- Former football star David Beckham and his wife Victoria have paid $50 million to take full control of his brand name business, the Financial Times reported. The Beckhams bought out the minority share of long-time business partner Simon Fuller, who created the American Idol talent show.

Europe (ex. UK)

- On the continent, the Eurofirst 300 rose 0.25% on Friday, but the index still posted a decline of 3.50% on the week to close at 1,481.43 as investors worried about the growth outlook given rising U.S.-China trade tensions.
- German industrial conglomerate ThyssenKrupp abandoned its plan to merge its steel-making unit with that of India's Tata Steel under pressure from European Union competition regulators. The deal would have created the EU's second largest steel maker after ArcelorMittal. ThyssenKrupp's shares rose 27% after the deal's collapse was announced, but Tata's shares fell 6%. Thyssenkrupp said it would have to cut 6,000 jobs, including about 4,000 in Germany, because of the failure of the deal and projected a financial loss for the year. The outlook for Tata's British steelmaking unit was unclear. Tata had put it up for sale prior to the proposed merger.
- IAG, the owner of British Airways and Iberia airlines, said Friday it was maintaining its full-year profit forecast despite weaker results in the first quarter. Pre-tax profits in the first quarter fell to $86 million from $885 million in the same period the previous year, due to higher fuel, staff and engineering costs. But IAG was still profitable, while rival airlines Lufthansa and Air France-KLM posted quarterly losses. IAG's stock rose on the news.
- Anheuser-Busch InBev NV filed Friday to list a minority stake in its Asian drinks unit on the Hong Kong exchange, seeking to raise at least $6 billion. The company is looking to float 15% of Budweiser Brewing Company APAC, the largest beer company in Asia by sales volume, the Financial Times reported. Jeffries analysts estimated the company is worth $40 billion, meaning the float would be worth $6 billion. But sources told the FT the company was looking at a valuation of as much as $65 billion and hoped to raise about $10 billion. The money would be used to pay down AB InBev's $102.5 billion in debt.
- First quarter net profits at Spanish telecom group Telefonica rose 10.6% to 926 million euros, well above the 787 million euros expected by analysts. Overall revenues fell 1.7% to 11.98 billion euros, largely due to the depreciation of the Brazilian real and Argentine peso but were still above expectations for 11.81 billion euros. Revenues in the UK rose 6.6% while those in Spain, the company's largest market, grew 0.3%.
- Revenues at Siemens, European largest industrial conglomerate, rose to 20.9 billion euros in its fiscal second quarter, up 4% from a year earlier. Its order backlog also rose to a record 142 billion euros. But net profits fell 5% to 1.9 billion euros, in part because of a one-time gain of 700 million euros in the second quarter last year from portfolio management. The earnings report came a day after the company announced it would sell its underperforming gas and power division.
- Profits at luxury carmaker BMW fell 78% in the first quarter to 589 million euros despite higher deliveries on higher costs and an increase in provisions for legal fees. The company set aside 1.4 billion euros after the European Commission warned last month that German automakers could face heavy fines for alleged collusion in emissions filtering technology. BMW has denied the allegations.

Japan

- Japan's stock market re-opened Tuesday after a 10-day Golden Week holiday to celebrate the accession of new emperor Naruhito. The Nikkei 225 index fell 0.27% on Friday to close at 21,344.92, down 4.11% compared to April 26, the last trading day before the break.
- Softbank Group Corp is creating another $100 billion investment fund, Vision Fund II, after the group's operating profit more than tripled in the first quarter. Softbank is also considering an IPO for its current fund, the Vision Fund, which has made big bets on tech startups Uber, WeWork and Slack, all of which have or are expected to go public this year. In the January-March quarter, Softbank profits rose to 495 billion yen, up from 155 billion yen in the same period a year earlier. As of the end of March, the two-year-old Vision Fund had spent $60 billion of its $97 billion in capital.
- Takeda Pharmaceutical Co Ltd said Thursday it had agreed to sell its Xiidra dry eye drug to Novartis for $5.3 billion as it seeks to cut down the $48 billion debt load from its acquisition of Irish pharmaceutical company Shire earlier this year. Novartis will pay $3.4 billion immediately and another $1.9 billion based on sales performance. Xiidra is the only drug approved by the U.S. Food and Drug Administration for treatment of dry eye disease.
- Toyota Motor Co. forecast that its profits would rise 20% this fiscal year, as it embarked on a cost cutting program to offset the weak sales outlooks in the U.S. and China. For the fiscal year through March 2020, Toyota said it expected a net profit of 2.25 trillion yen, up from 1.88 trillion yen in the just completed fiscal year. But Toyota shares fell 1% after its new profit forecast fell short of expectations for 2.3 trillion yen.
- Profits at Honda Motor Co. fell for the second straight fiscal year, in part due to weaker emerging market currencies. The automaker announced an operating profit of 726 billion yen in the fiscal year to March, down 12.9% from the previous year. Net profit fell 42.4% to 610 million yen. The weaker profits came despite sales rising 3.4% to a record 15.9 trillion yen.

Asia-Pacific (ex. Japan)

- Mainland China's Shanghai Composite Index rose 3.10% on Friday but still fell 4.52% on the week to 2,939.21, after the U.S. imposed higher tariffs on Chinese imports.
- Hong Kong's Hang Seng index rose 0.84% on Friday but fell 5.09% on the week to 28,550.24 on the sharp rise in U.S.-China trade tensions.
- Taiwan's Taiex fell 0.19% on Friday and 3.45% for the week to 10,712.99, on worries about the impact of higher U.S. tariffs on the Chinese and global economies.
- South Korea's Kospi rose 0.29% on Friday but fell 4.02% for the week to close to 2,108.04 on U.S.-China trade tension worries.
- The Singapore Straits Times Index rose 0.12% on Friday but fell 3.50% for the week to close at 3,273.50, on worries about Asian and global trade.

Emerging Markets

- Brazil's Bovespa fell 0.58% on Friday and 1.82% on the week to 94,257.56, as the real declined due to concerns about the U.S.-China trade tension. The Brazilian central bank did not cut its benchmark interest rate from the record low of 6.50% on Wednesday due to risks of inflation.
- Mexico's IPC rose 0.44% on Friday, the first rise after declining for 13 straight sessions, as the peso weakened on declining oil prices. The index declined 2.02% on the week to 43,382.35 on continued concern about the country's economic outlook.
- India's BSE 30 fell 0.26% on Friday, declining for the eighth straight session, and dropped 3.85% on the week to 37,462.99, on worries about the impact of rising U.S.-China trade tensions. Investors were also cautious ahead of national election results due on May 23.
- Russia's RSTI fell 1.56% on Friday, pushing the index down 2.77% on the week to close at 1,213.79, on worries about the impact of rising U.S.-China trade tensions.

Alternative Assets

- Oil futures prices fell last week on worries that the escalation in the U.S.-China trade tension would reduce global demand. June West Texas Intermediate (WTI) crude fell 0.1% on Friday and 0.5% for the week to $61.66 per barrel. It was WTI's third straight weekly decline. July Brent crude on London's ICE Futures Exchange closed the trading period at $70.62 a barrel, up 0.3% on Friday but down 0.3% on the week.

- Gold futures rose Friday for the second straight day on increasing trade tensions between China and the U.S. Gold prices rose on the week for only the second time in seven weeks. June gold futures rose 0.2% on Friday and 0.5% on the week to close at $1,287.40 per troy ounce.

Fixed Income

US

- The yield on benchmark 10-year Treasuries fell to 2.4672% on Friday from 2.5250% at the close of the previous week, as investors bought bonds as a safe-haven due to the escalation of U.S.-China trade tensions.
- Federal Reserve Bank of New York President John Williams said Friday he still believes monetary policy is "in the right place" due to the lack of growing inflationary pressures, even as a number of near-term risks have abated. The U.S. economy saw a surge in growth at the start of the year and the unemployment rate sank to a near 50-year low. Yet, "recent price data reaffirm that inflationary pressures remain muted," he said. The recent downward movement in core inflation "appears mostly to reflect normal volatility in inflation statistics," Williams said, adding that he prefers to look at the Dallas Fed's trimmed mean inflation measure, which is running at 2% and hasn't shown any sign of trending up or down. Core personal consumption expenditure (PCE) inflation fell to 1.6% in March from 2.0% in December. He said he will be watching developments closely for signs of a persistent shift away from the Fed's 2% inflation objective. For now, "the economy remains on a path of healthy growth, with a very strong labor market and without the emergence of inflationary pressures. The current setting of policy positions us well to keep it that way," he said in remarks prepared for the Bronx Bankers Breakfast in New York. Meanwhile, a number of downside risks from earlier in the year have diminished. "The strength of recent data on economic activity, the rebound of growth in China, and the reversal in the tightening of financial markets all imply that near-term risks to growth have receded somewhat. This has increased my confidence that the economy remains on track for moderate growth going forward," he said.
- Federal Reserve Bank of Philadelphia President Pat Harker said Monday he continues to pencil in one interest rate increase this year and possibly another in 2020, citing that transitory factors likely contributed to recent softness in inflation. While he's watching inflation carefully, he has yet to revise down his medium term forecast from slightly above 2%, "because I suspect some of the recent weakness is transitory," he said. "If any component of the outlook were to affect my view on the appropriate path of monetary policy, it would be inflation. However, we're not there yet, and it would take more data to convince me. I therefore continue to see one increase at most this year; possibly one, at most, next," he said in remarks prepared for a financial conference in Philadelphia.
- April consumer price index data were below expectations, allowing year/year inflation to tick up only slightly. Overall CPI rose by 0.3%, compared with the 0.4% gain expected, while core prices were up 0.1%, just below the 0.2% gain expected. One factor in the softer-than-expected core reading was a 0.8% decline in apparel prices after a 70-year low in March. As a result of the 0.3% rise in overall CPI, the year/year rate moved up to +2.0% from +1.9% in March. Excluding only energy, the year/year rate held steady at +2.0% and the year/year rate for core prices rose to +2.1% from +2.0% in March. The major core components showed generally positive readings. The large owners' equivalent rents category rose 0.3% and medical care was up 0.3%. However, new vehicle prices rose 0.1% and used vehicle prices were down 1.3%. Energy prices rose by 2.9% in April after a 3.5% gain in March, with gasoline prices up 5.7%. Electricity prices were flat and gas utilities prices fell 0.8%. CPI excluding only energy was up 0.1%, while food prices were down 0.1% on foods at home.
- The international trade gap widened to $50.0 billion in March from a $49.3 billion gap in February. The March shortfall was slightly below expectations for a $50.2 billion gap. The unadjusted gap with China narrowed to $20.7 billion in March from $24.8 billion in February, the smallest gap since March 2014. There was a smaller gap after seasonal adjustment as well. For the other major trading partners, there were larger gaps with Canada, Japan, the EU, and Mexico. The gap in goods trade was revised slightly lower to $71.3 billion from the advance reading of $71.4 billion that was incorporated into the first estimate of first quarter GDP report. Imports increased on gains in foods, feeds and beverages, industrial supplies and materials (especially higher-priced crude oil), and autos, partially offset by a decline in consumer goods imports. At the same time, exports rose on gains in foods, feeds and beverages, industrial supplies and materials, and consumer goods, partially offset by declines in capital goods and autos.
- April producer price index data were just below expectations, maintaining the year/year headline rate. April PPI rose by 0.2%, compared with a 0.3% gain expected, while core prices rose 0.1%, below the 0.2% gain expected. Trade services prices also fell in the month on trade of finished goods. The year/year rate for overall PPI remained at +2.2%, while the year/year rate for core prices were also unchanged at +2.4%. The measure also excluding trade prices was up 0.4% month/month and up 2.2% year/year, higher than the 2.0% year/year gain in March. Core PPI was +0.085% unrounded, on the low side of +0.1%, with the major components generally mixed. Energy prices rose by 1.8% in April after a 5.6% gain in March, with gasoline prices up 5.9%PPI excluding only energy posted a 0.1% gain, while food prices were down 0.2%.

UK

- The yield on 10-year Gilts fell to 1.1350% at the end of last week from 1.2190% the week before as investors moved into safe-haven bonds on rising U.S.-China trade tensions.
- The UK's volatile political environment is making the search for the next governor of the Bank of England more difficult, tilting the scales towards a seasoned, home-grown appointee with diplomatic skills such as BOE veteran Andrew Bailey. Bailey, who joined the Bank in 1985 and currently heads the Financial Conduct Authority, is seen as the leading candidate, in part because he has demonstrated the ability to function well during shifts in regimes. Chancellor of the Exchequer Philip Hammond has said he wants to find a replacement for current Governor Mark Carney by October, and candidates will be assessed not only according to whether they have the capacity to flourish for a full term, but also according to whether they will get on with the head of the Treasury. But there is no certainty that the UK's finance minister, or even the prime minister, will still be in the job by then. A future governor might have to respond to proposals such as those by Shadow Chancellor John McDonnell and his colleagues in the opposition Labour Party, including setting productivity target for the BOE. This would be an anathema to conventional central bank thinking, but any response would have to avoid the danger of the BOE's becoming embroiled in politics. BOE Chief Economist Andy Haldane, himself a candidate for the top job, was questioned at a hearing of the cross-party Treasury Select Committee about how a central bank could boost productivity to meet a target. Haldane skirted around the issue before Carney stepped in and said, bluntly, "we wouldn't have the tools." Haldane is a serious contender to head the BOE. A highly skilled communicator, he is spearheading the Bank's development and adoption of real-time data. He also chairs the newly-formed Industrial Strategy Council - demonstrating his appeal to the government, He can expect questions, however, over how we would handle the various challenges in a future financial crisis.
- UK GDP rose 0.5% in the first quarter compared to the previous quarter, accelerating from the 0.2% rise in the fourth quarter, matching expectations. The front-loading of production ahead of the previous March Brexit deadline contributed to the strong first quarter. Net exports subtracted from first quarter GDP growth.
- Industrial production rose 0.7% in March from the previous month, following a 0.6% increase in February. The March result easily beat expectations for a 0.1% gain. The increase was led by manufacturing (0.9% vs. 1% in February), particularly textiles, wearing apparel & leather products (2% vs. 1.5%); basic pharmaceutical products and preparations (4% vs. 1.6%), and transport equipment (1.4% vs. 1.2%). Output slowed for mining and quarrying (0.9% vs. 3.0%) and output continued to fall for electricity, gas, steam and air conditioning supply (-0.6% vs. -3.0%) and water supply (-0.3% vs. -0.2%). On a yearly basis, industrial output advanced 1.3%, more than a 0.4% increase in February and also above expectations for 0.5%. In the first quarter, industrial production rose 3.6% compared to prior year, after a 2.2% gain in the fourth quarter.
- UK retail sales increased 4.1% in April, compared with a decrease of 3.1% in April last year, boosted by the late Easter holiday, the latest BRC/KPMG Retail Monitor showed. The strong positive data was distorted by the timing of Easter, but even after accounting for this distortion, retail sales remained soft based on a longer-term average. The two-year average, which corrects for Easter, was 0.4% per annum, weaker than 0.9% per annum in March. In April, retail sales increased 3.7% on a like-for-like basis from April 2018, when they were down 4.2% from a year earlier. Food sales increased 1.7% on a like-for-like basis and 2.8% on a total basis in the three months to April. This was below the 12-month total average growth of 3%. Consumers spent more on food and home accessories while spending less on health and beauty and footwear. Non-Food sales fell 0.2% on a like-for-like basis and 0.1% on a total basis in three months to April. The online penetration rate in the non-food category increased to 29.7% in April from 28% in April last year.
- UK firms are shifting from filling permanent placements to short-term contractual roles amid weakness in the economy caused by Brexit related uncertainty, the KPMG/REC UK Jobs report, published Thursday. The Permanent Placements index remained in the contractionary territory for the third time this year but improved slightly in April to 49.7 from 47.6 in March. Billings from temporary staff hiring expanded to 53.8 in April from 52.9 in March. Given the fragility of the UK economy, overall job vacancies continued to slide, falling to the lowest level since August 2012. Vacancies for the public sector remained subdued. The low unemployment rate and uncertain outlook for Brexit discouraged workers to look for a new job. Firms turned to temporary staff until they had a clearer view of the future economic path, the report showed. Limited availability of skilled candidates continued to put upward pressure on salaries. Temporary pay growth ascended to 57.8 in April from a two-year low of 55.8 in March. The permanent salaries index remained broadly stable at 59.2 compared with 59.3 in March. However, rates of starting salary were the softest in two years.

Europe (ex. UK)

- The yield on benchmark 10-year Bunds fell back into negative territory last week, dropping to -0.045% on Friday from 0.0250% the previous week, on worries about the impact of U.S.-China trade tensions on the global growth outlook.
- The European Commission cut its forecast for 2019 Eurozone economic growth to 1.2%, from its winter forecast of 1.3%, as Germany's economy cools faster than previously expected, it said on Tuesday. The EC's spring inflation forecast for

2019 was unchanged from the winter, with the Eurozone's harmonized consumer price index seen rising 1.4% this year. Eurozone inflation is seen remaining at 1.4% in 2020, when GDP growth should pick up to 1.5%. Germany is seen growing by 0.5% this year, down from 1.4% in 2018, although growth in the Eurozone's largest economy should pick up to 1.5% in 2020. In its winter forecast, the EC had foreseen German growth of 1.1% this year. Risks to the outlook include that of protectionist measures worldwide and any disappointment in Chinese growth. A no-deal Brexit is also a danger. But private consumption and investment in the EU could prove more resilient than expected and would be further bolstered if it were accompanied by stronger-than-assumed fiscal policy measures in countries with fiscal space. Growth in Italy is seen in positive territory in 2019, if only just, at 0.1% vs. the 0.2% forecast in February. The Commission also sees Italy's budget deficit at 2.5% of GDP this year, larger than the 2.04% target in Rome's budget procedure negotiations with Brussels.

- Eurozone retail trade was unchanged in March from a month earlier, following an upwardly revised 0.5% gain in February. The March result was slightly above market expectations for a 0.1% drop. Sales increased for food, drinks, tobacco (+0.6% vs. +0.1% in February), mail orders and internet (+0.5% vs. +0.9%), textiles, clothing, footwear (+0.1% vs. +2.4%) and electrical goods and furniture (+0.1% vs. +1.2%). Sales declined for pharmaceutical and medical goods (-1.8% vs. 0.8%), fuel (-0.6% vs. -0.4%) and computer equipment, books and other (-0.5% vs. +0.8%). Compared to a year earlier, retail trade growth fell back to 1.9% in March from 3.0% in February.

Japan

- The yield on 10-year Japanese Government Bonds fell to -0.490% from -0.0400% on April 26, the last trading day before the extended Gold Week holiday, on worries about U.S.-China trade tensions.
- Japan's average monthly consumption expenditure per household increased 2.1% in March from a year earlier, a survey released by Japan's Ministry of Internal Affairs and Communications showed Friday. The rise was above the previous month's 1.7% gain and expectations for a 1.6% increase. It was the fourth straight y/y rise. March's rise was driven by a rise in housing demand, which surged to 9.4% y/y from last month's 4.7% with the contribution of 0.46%. Spending on education also performed well by increasing 7.2% y/y, compared with last month's 4.9% drop. The average real income of households with salaried workers accelerated to 1.4% y/y from February's 0.1%, the fifth straight month of increase.
- Japan's consumer confidence index fell 0.1 point to a seasonally adjusted 40.4 in April, the seventh straight monthly drop, the latest Consumer Confidence Survey released by the Cabinet Office showed Thursday. The dip, which came after a 1.0-point fall to 40.5 in March, was caused mainly by weaker earnings prospects and purchases of durable goods. Consumers were more pessimistic on two out of the four key sentiment components -- income conditions and whether the next six months would be a good time to buy durable goods. They are more optimistic on overall economic well-being and employment prospects. The sub-index on asset prices, which is not included in calculating overall consumer confidence, showed the first m/m rise in two months, up 1.3 points to 41.6 after falling 0.7 point to 40.3 in the previous month. The survey also showed the public's inflation expectation for the next 12 months rose for the fourth straight month. The share of those projecting price gains rose to 87.7% in April, after rising to 86.4% in March. The share of respondents forecasting lower prices stood at 3.4%, down from 3.7% in March.
- Average wages fell 1.9% on year in March, the third straight year-on-year drop, following a 0.7% decline in February, with real wages also in negative territory, preliminary data released Friday by the Ministry of Health, Labour and Welfare showed. In real terms, average wages fell 2.5% on year in March, the third straight drop following a 1.0% fall in February. The total CPI minus imputed rents rose 0.6% on year in March, up from +0.2% in February. Base wages, the key to a steady recovery in cash earnings, fell 0.9% in March from a year earlier, the third straight year-on-year drop after falling 0.1% in the previous month. Overtime pay fell 3.1% on year in March, the fourth straight y/y drop after falling 0.2% in February. Total monthly average cash earnings per regular employee in fiscal 2018 rose 1.4% on year, marking the sixth straight rise after a 0.4% gain in fiscal 2017. In real terms, average wages rose 0.2% on year in fiscal 2018, the first rise in two years following a fall of 0.2% in fiscal 2017.

Source: Market News International