

# US Weekly Economic Update

14<sup>th</sup> June 2010

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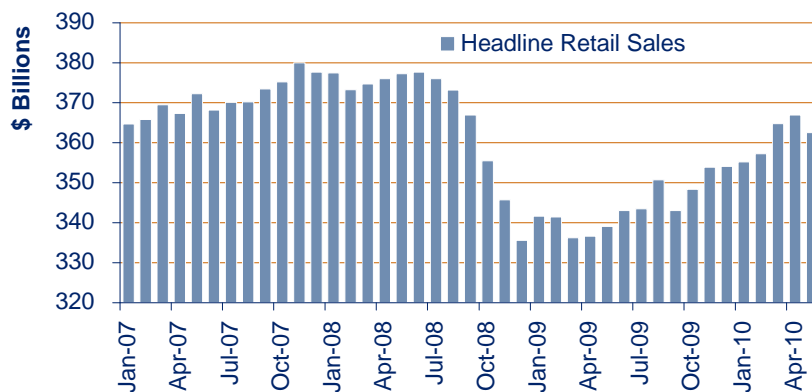
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- **The US retail sector continued its stop-start recovery.** Retail sales have been on an upward trend since April last year but unexpectedly fell 1.2% m/m in May, the biggest drop since September 2009. Excluding volatile automobile and gas components, sales showed a more benign contraction of 0.8%. Compared to last year, retail sales have advanced by a healthy 4.4%. US consumer confidence is improving and the recovery in sales is gaining momentum, but is not immune from stumbles.
- **The trade gap expanded to its widest level since December 2008.** Having narrowed sharply earlier in the recession due to plummeting world trade, the gap between merchandise imports and exports has been expanding since May 2009. In April the gap grew by 0.6% m/m to \$40.3bn. Exports contracted faster than imports during the month with petroleum inflows accounting for more than half the broadening of the trade gap. Exports declined 0.7% and imports fell 0.4% m/m, led by a decline in demand for pharmaceuticals, automobiles and aircrafts. The contribution of net trade to growth was negative in the first quarter and may further diminish with the strengthening dollar.
- **The trade surplus in China reached its dizzyest high since November as China exported \$19.5bn more than it imported.** This was an impressive rebound from the trade deficit recorded in March, itself the first time imports had exceeded exports in six years. The recovery in part reflects a normalisation after the collapse in global trade last year. Although exports were up 49% y/y, they remain lower than at the height of the pre-recession boom. In contrast imports, which grew 48% y/y in May, have already surpassed previous highs as the ongoing economic recovery boosts domestic consumption.

## Chart of the week: Retail sales trending, and stumbling, upwards

Source: Thomson Datastream



MARKET RATES MONITOR	11 <sup>th</sup> June 2010	4 <sup>th</sup> June 2010	Year ago
Fed Funds Rate Target	0.25%	0.25%	0.25%
10-yr US Treasury yield	3.24%	3.20%	3.84%
30-yr Mortgage (Freddie Mac)	4.72%	4.79%	5.29%
US dollar/Japanese Yen	91.67	91.92	97.99
Euro/US Dollars	1.21	1.20	1.40
British Pound/US dollars	1.46	1.46	1.60