

Headlines

- [ECB turns screws on Greece, stops accepting collateral](#). *Reuters.com, 21 Jul 2012*
- [Greek PM sees country in "Great Depression"](#). *Reuters.com, 22 Jul 2012*
- [China third-quarter growth may slow to 7.4%, adviser says](#). *Bloomberg.com, 22 Jul 2012*
- [UK second-quarter GDP seen declining 0.2% as recession deepens](#). *Bloomberg.com, 21 Jul 2012*

Weekly Review (for week ending 20 July 2012)

■ IMF cuts outlook as EU crisis continues

The IMF slashed its global growth forecast and warned that the outlook could dim further if policymakers in Europe do not act with enough force and speed to quell their region's debt crisis. The IMF cut its 2013 forecast for global economic growth to 3.9% from the 4.1% it projected in April; but left its 2012 forecast unchanged at 3.5%. For the Eurozone, the IMF cut its growth forecast to 0.7% in 2013, but kept its projection of a 0.3% contraction this year. Growth projections for the UK were sharply revised lower to 0.2% this year and 1.4% in 2013. The IMF also cut its 2012 growth forecast for China to 8.0% from 8.2% and said it now expected growth of 8.5% in 2013, down from 8.8%.

■ US retail sales fall for third straight month

Retail sales slumped a seasonally adjusted 0.5% in June following declines in May and April, the Commerce Department reported Monday. Retail sales fell in June for the third straight month as consumers cut spending on most goods and services, reflecting a sharp slowdown in economic growth in the second quarter. The last time the US experienced three straight monthly drops in retail spending was in the second half of 2008, midway through the Great Recession. Excluding vehicle sales, retail sales fell 0.4%.

■ Singapore June NODX surprised on the upside

June NODX unexpectedly expanded by 6.8% y/y and 6.7% m/m (seasonally adjusted), propelled by a surge in non-electronics shipments even as electronic shipments expanded at a smaller magnitude. Market forecasts were for 2.1% y/y or 1.4% m/m. Electronic exports grew 1.6% y/y in June, compared to 3.9% in May. The non-electronics NODX for June was buoyed by the 24% y/y increase in pharmaceutical exports even as the overall numbers were dragged down by a shrinkage in petrochemicals exports, at -7.8% from +6.7% in May.

■ Consumer Price Index in US was unchanged in June, core inflation up 0.2%

The cost of living in the US was little changed in June, a sign inflation may stay subdued as Federal Reserve officials have predicted. No change in the CPI followed a 0.3% drop in May, a Labour Department report showed Tuesday, matching the median forecast in a Bloomberg News survey. The so-called core inflation that excludes volatile food and fuel costs rose 0.2% for a fourth month. The core CPI climbed 2.2% from June 2011, following a 2.3% gain in the 12 months to May.

■ Housing prices rise in China for first time in months

Chinese home prices broke eight consecutive months of decline in June in a tentative sign that pro-growth policies were gaining traction in the economy, now in its longest sequential slowdown since the global financial crisis. Real estate, which directly impacts around 40 other business sectors in China, was cited last week as a brake on economic activity when Q2 GDP data showed growth eased to 7.6% from a year ago. Prices were flat nationwide in June versus May, with small increases of 0.3% and 0.2% for Beijing and Shanghai. New home prices tracked by the government rose in 25 out of the 70 Chinese cities in June versus just 6 in May.

■ Steepest jump in US housing starts in 4 years

Beginning construction of US homes rose more than forecast in June to the fastest rate in almost four years, indicating a brighter outlook for the residential real estate market. Housing starts rose 6.9% last month to a 760,000 annual pace after a revised 711,000 rate in May that was faster than initially estimated, the Commerce Department reported Wednesday. The June pace of home starts was the fastest since October 2008, and ground-breaking on new homes in May was revised from a previously reported 708,000 annual pace. Home prices are stabilising and starting to increase. The S&P/Case-Shiller index of property values adjusted for seasonal variations rose 0.7% in April, the third straight gain. Stronger home sales will bolster producers of building materials.

■ US jobless claims rise to 386,000 on seasonal factors

The number of Americans seeking unemployment benefits rose by 34,000 last week to a seasonally adjusted 386,000, a figure that may have been skewed higher by seasonal factors. The gain followed a drop of 24,000 the previous week and was the biggest jump since April 2011. The 4-week average was reported at 375,500, down from a revised 377,000 in the week before. The government struggles to adjust the data to reflect temporary summertime layoffs in the auto industry and this year, many automakers skipped those typical shutdowns to keep up with demand. That led to fewer layoffs two weeks ago, which the Labour Department didn't anticipate.

■ Spain's €100 billion bank bailout is approved

Eurozone finance ministers on Friday unanimously approved the terms of a bailout for Spanish banks and agreed to provide up to €100 billion in financial assistance and set aside €30 billion in emergency funds, although the final amount of the loans will not be known until a full assessment of the Spanish banking sector is complete. The loans, including the €30 billion, will initially be made by the European Financial Stability Facility, but the European Stability Mechanism will eventually take over as creditor. The ESM is not expected to be up and running until at least mid-September, following a review of its legality under the German constitution.

Market Snapshot

Selected Equity Indices	Last (Jul 20)	1-week return	Year-to-date return
Dow Jones Industrial Average	12,822.57	0.36%	4.95%
S&P 500 Index	1,362.66	0.43%	8.35%
FTSE 100 Index	5,651.77	-0.25%	1.43%
Euro Stoxx 50	2,237.33	-0.96%	-3.42%
Nikkei 225	8,669.87	-0.62%	2.54%
Hang Seng Index	19,640.80	2.87%	6.54%
Shanghai SE Composite	2,168.64	-0.79%	-1.40%
BSE Sensex Index	17,158.44	-0.32%	11.02%
Straits Times Index	3,015.53	0.67%	13.95%

Source: Bloomberg

Week Ahead

Economic Calendar (Selected Events)				
Mon, Jul 23	Tue, Jul 24	Wed, Jul 25	Thu, Jul 26	Fri, Jul 27
		<i>New Home Sales</i>	<i>Durable Goods Orders</i>	<i>GDP</i>
		EIA Petroleum Status Report	<i>Jobless Claims</i>	Consumer Sentiment
			Pending Home Sales Index	

Red: Market moving indicator

Black: Merits extra attention

Source: Bloomberg



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