

Monday, 30 July 2012

## Weekly Update

### Headlines

- [Greek leaders agree bulk of austerity cuts: source](#). *Reuters.com*, 29 Jul 2012
- [Euro zone crisis heads for September crunch](#). *Reuters.com*, 29 Jul 2012
- [Obama advisers project US\\$1.2 trillion deficit for 2012](#). *Bloomberg.com*, 28 Jul 2012
- [New UK strategy urged as triple-dip recession predicted](#). *Bloomberg.com*, 29 Jul 2012

### Weekly Review (for week ending 27 July 2012)

#### ■ Singapore inflation edges higher to 5.3% in June

Inflation in Singapore continues to climb with housing (+9.7%/y/y) and transport costs (+8.7%/y/y) topping the increase. The CPI, a key gauge of inflation, rose to 5.3% y/y in June (from 5.0% in May), exceeding market expectations of a 5.1% increase. Coupled with higher education (+3.6%/y/y) and health care costs (+4.6%/y/y), the June inflation affirmed the influence of domestic factors keeping inflation elevated. Measured month-on-month, the index was unchanged after climbing 0.2% in May. The MAS core inflation measure (which excludes accommodation and private road transport) remained stable at 2.7%/y/y in June unchanged from the preceding two months.

#### ■ China manufacturing data picks up in July

Preliminary figures from HSBC's closely watched purchasing managers' index (PMI), which gauges nationwide manufacturing activity, hit a five-month high of 49.5 in July. The reading, which was higher than the 48.2 that HSBC recorded in June, indicated that government measures to boost economic growth were working. HSBC will issue the final reading of July PMI on August 1.

#### ■ US manufacturing growth at 19-month low

Markit reported Tuesday its US flash manufacturing PMI for July fell to 51.8 from 52.5 in June. July marked the fourth consecutive month of slower growth and the sector's weakest showing since December, 2010. New orders for exports fell outright for the second straight month, the first back-to-back decline in nearly three years as recession in Europe dented demand. The US Labour Department said employers added fewer than 100,000 new jobs in June for the third consecutive month.

#### ■ German business confidence fell more than forecast in July

The IFO business climate index dropped to 103.3 from 105.2 in June, lower than market forecast of 104.5, marking the third straight decline and the lowest since March 2010. While the Bundesbank said that the economy likely grew moderately in Q2, aided by domestic demand, latest data show the service and manufacturing industries are contracting. Moody's had lowered the outlook on Germany's "Aaa" credit rating to negative, citing the risk of "Grexit" and an "increasing likelihood" that countries such as Spain and Italy will require support.

#### ■ UK economy shrinks 0.7%, the most in 3 years on weather and extra holiday

The UK economy shrank more than economists forecast in the second quarter as record rainfall and an extra public holiday in the period sent output down the most in more than three years. GDP fell 0.7% from the first quarter, when it dropped 0.3%, the Office for National Statistics said Wednesday, exceeding economists forecast for a 0.2% decline. From a year earlier, the UK economy shrank 0.8%, in the second quarter, more than the 0.3% decline forecast by economists.

#### ■ US new home sales slide after May spike

The US housing market outlook dampened with the release of the June new home sales which unexpectedly declined by 8.4% m/m to 350,000 units after a sharp 7.6% increase in May (revised to 382,000 units, strongest pace since April 2010). Markets were expecting 370,000 units. The June sales pace was up 15.1% year-over-year. Sales in Q2 surged 20% from Q1, the third straight quarter of gains.

#### ■ Disappointing US pending home sales

US June pending home sales was just as disappointing as the June new home sales, unexpectedly contracting by 1.4% m/m after a sharp 5.4% m/m increase in May. On a y/y basis, pending homes sales growth moderated to 8.4% in June from 14.7% y/y in May.

#### ■ Jobless claims in US decrease by 35k, extending July volatility

Applications for jobless benefits decreased by 35,000 in the week ended July 21 to 353,000 from a revised 388,000 in the prior week. Changes in the annual auto plant shutdowns that occur this time of year have made it difficult to adjust the data for seasonal variations. Continuing claims for the week ending 14 July also edged markedly lower to 3,287,000 claimants from 3,314,000 in the preceding week.

#### ■ ECB will do whatever it takes to save the euro, says Draghi

ECB President Draghi speaking in London, said that the bank would "do whatever it takes to preserve the euro", implying that the ECB may restart its bond purchase programme to help contain the rising yields in Spain and Italy which had reached unsustainable levels.

#### ■ US Q2 GDP growth slows to 1.5% rate, faster than expected

US economic growth slowed to an annual rate of just 1.5% in Q2, as Americans cut back sharply on spending from an upwardly revised 2.0% rate for Q1. The weaker growth adds to worries that the economy could be stalling three years after the recession ended. Growth in Q4 of 2011 was revised up significantly from 3.0% to 4.1%, while rates in 2010 were lowered. Full year 2012 growth is projected at 2.6%. Fear is also growing that the economy will fall off a "fiscal cliff" at year's end. Consumer spending drives roughly 70% of economic activity.

## Market Snapshot

Selected Equity Indices	Last (Jul 27)	1-week return	Year-to-date return
Dow Jones Industrial Average	13,075.66	1.97%	7.02%
S&P 500 Index	1,385.97	1.71%	10.21%
FTSE 100 Index	5,627.21	-0.43%	0.99%
Euro Stoxx 50	2,301.23	2.86%	-0.66%
Nikkei 225	8,566.64	-1.19%	1.32%
Hang Seng Index	19,274.96	-1.86%	4.56%
Shanghai SE Composite	2,128.76	-1.84%	-3.21%
BSE Sensex Index	16,839.19	-1.86%	8.96%
Straits Times Index	2,998.49	-0.57%	13.31%

Source: Bloomberg

## Week Ahead

Economic Calendar (Selected Events)				
Mon, Jul 30	Tue, Jul 31	Wed, Aug 1	Thu, Aug 2	Fri, Aug 3
Dallas Fed Mfg Survey	<i>Personal Income and Outlays</i>	ADP Employment Report	<i>Jobless Claims</i>	<i>Employment Situation</i>
	Employment Cost Index	<i>ISM Mfg Index</i>	Factory Orders	ISM Non-Mfg Index
	S&P Case-Shiller HPI	Construction Spending		
	Chicago PMI	EIA Petroleum Status Report		
	Consumer Confidence			

Red: Market moving indicator

Black: Merits extra attention

Source: Bloomberg



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