

Headlines

- [Grexit debate stirs in Germany ahead of Greek PM visit](#). *Reuters.com, 18 Aug 2012*
- [French finance minister sees economy growing in 2013: report](#). *Reuters.com, 18 Aug 2012*
- [China new-home prices rebound after interest-rate cuts](#). *Bloomberg.com, 19 Aug 2012*
- [Home sales and goods orders probably rose: US Preview](#). *Bloomberg.com, 19 Aug 2012*

Weekly Review (for week ending 17 August 2012)

■ France dodges recession with zero growth in Q2

Flash estimates showed France's economy recorded zero growth in Q2, beating expectations it would slide into recession, confounding expectations by many economists including the Bank of France that the slowdown plaguing much of the eurozone would push France towards recession. French Finance Minister Moscovici kept his forecast for 0.3% growth in 2012. France last emerged from recession in early 2009 but has struggled to gain momentum as the eurozone debt crisis has intensified, posting zero growth for the last three quarters.

■ German GDP beats estimates

German GDP rose 0.3% in Q2 from Q1, when it gained 0.5%, the Federal Statistics Office said Tuesday, beating forecasts for a 0.2% increase. The expansion was driven by consumption and net trade, with exports rising more than imports. That compensated for a decline in company investment, particularly in plant and machinery. Compared to Q2 a year ago, the economy grew a work-day adjusted 1%.

■ Eurozone economy shrinks 0.2% in Q2

The 17-nation currency bloc and 27-member EU contracted by 0.2% on the quarter, data showed Tuesday. In the first quarter, GDP growth stood at zero in both groups. Economists said worse is likely to come and even Europe's largest economy, Germany, is unlikely to defy gravity for long unless decisive action is taken to tackle the bloc's debt crisis.

■ US retail sales jump 0.8% in July

After three straight monthly declines, sales at US retailers increased 0.8% in July to a seasonally adjusted US\$403.9 billion, the Commerce Department estimated Tuesday. Sales fell a downwardly revised 0.7% in June, compared with a 0.5% decrease originally reported. Retail sales account for about half of total consumer spending and about a third of final sales in the U.S. economy.

■ Chinese banks' bad loans rise for third straight quarter as economy slows

Chinese banks' bad loans increased for a third straight quarter, the longest streak of deterioration in eight years, highlighting pressures on asset quality and profit growth as the economy weakens. Non-performing loans rose by 18.2 billion yuan (US\$2.86 billion) in the three months ended June to 456.4 billion yuan, the China Banking Regulatory Commission said in a statement on its website. Bad loans surged at all types of banking institutions, including the largest state-owned lenders, rural banks and foreign banks, the regulator said.

■ Malaysia's economy grows 5.4% in Q2; inflation eases to 1.4% in July

Malaysia's Q2 GDP growth at 5.4% y/y exceeded market expectations for 4.6% and accelerated from the revised 4.9% y/y growth in Q1. Consumption demand and sustained buoyant fixed investment drove Q2 growth, offsetting the weak performance in exports which grew at the slowest pace in 5 quarters. With strong imports demand, net exports contracted sharply by 36.2% y/y in Q2. Inflation slowed for a ninth month as prices of communication and clothing fell. Consumer prices rose 1.4% in July from a year ago, after climbing 1.6% in June.

■ US consumer prices unchanged in July

US consumer prices were unchanged in July, as lower energy prices offset gains in the cost of food and other items. An index of energy prices declined 0.3% in July, while the food index rose 0.1%. The so-called core CPI, which excludes food and energy, rose 0.1%. In June overall consumer prices were also unchanged, while the core gauge rose 0.2%. The CPI rose 1.4% over the year through July, the smallest 12-month change since late 2010. The core rate gained 2.1% over the past 12 months, the smallest gain since late 2011.

■ Eurozone inflation stable at 2.4% in July, hovers above ECB target

Consumer prices in the 17 euro-area countries fell 0.5% on the month in July, compared with a fall of 0.1% on the month in June. On the year-earlier, prices rose 2.4% in July, the same as in June. Although above the ECB's target rate of just under 2%, there is no sign of an imminent rise and inflationary concerns aren't seen as a threat to the ECB's plans to help boost the region's ailing economy.

■ Eurozone exports rose 2.4% in June, led by Germany

Euro-area exports rose for a second month in June, driven by a surge in shipments from Germany, as companies tapped into emerging markets to offset declining demand at home. Exports from the 17-nation currency bloc advanced a seasonally adjusted 2.4% from May, when they gained 0.4%. Imports stagnated in the period and the trade surplus widened to 10.5 billion euros from 6.8 billion euros.

■ US consumer sentiment unexpectedly rose in August

Confidence among US consumers unexpectedly improved in August, boosting the prospect of stronger household spending in Q3. The Thomson Reuters/University of Michigan preliminary August consumer sentiment increased to 73.6, the highest level since May, from 72.3 in July. After two months of sliding sentiment, August's advance indicates consumers may be benefiting from growing payrolls.

Market Snapshot

Selected Equity Indices	Last (Aug 17)	1-week return	Year-to-date return
Dow Jones Industrial Average	13,275.20	0.51%	8.66%
S&P 500 Index	1,418.16	0.87%	12.77%
FTSE 100 Index	5,852.42	0.09%	5.03%
Euro Stoxx 50	2,471.53	1.99%	6.69%
Nikkei 225	9,162.50	3.05%	8.36%
Hang Seng Index	20,116.07	-0.10%	9.12%
Shanghai SE Composite	2,114.89	-2.49%	-3.84%
BSE Sensex Index	17,691.08	0.76%	14.47%
Straits Times Index	3,062.11	0.26%	15.71%

Source: Bloomberg

Week Ahead

Economic Calendar (Selected Events)				
Mon, Aug 20	Tue, Aug 21	Wed, Aug 22	Thu, Aug 23	Fri, Aug 24
		<i>Existing Home Sales</i>	<i>Jobless Claims</i>	<i>Durable Goods Orders</i>
		EIA Petroleum Status Report	<i>New Home Sales</i>	
		<i>FOMC Minutes</i>		

Red: Market moving indicator

Black: Merits extra attention

Source: Bloomberg



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