

Headlines

- [Fed mulls open season on bond buys to help economy](#). *Reuters.com*, 26 Aug 2012
- [Bundesbank chief says ECB bond buying "like a drug"](#). *Reuters.com*, 26 Aug 2012
- [Wen says China need measures to promote export growth](#). *Bloomberg.com*, 26 Aug 2012
- [BoE's Dale says savers benefited from QE, interest-rate cuts](#). *Bloomberg.com*, 26 Aug 2012

Weekly Review (for week ending 24 August 2012)

■ Federal Reserve leaning toward more stimulus

Policy makers at the US Federal Reserve are leaning toward more stimulus action "fairly soon" unless economic data turns around, minutes from the FOMC meeting three weeks ago showed Wednesday. Most members of the FOMC were concerned about slowing growth and the vulnerability of the economy to external threats, particularly economic instability in Europe. Although the FOMC put off any new action, the minutes show the policy makers closer to moving on a new stimulus plan at their next meeting on September 12-13. Markets will now turn its attention to the Jackson Hole Symposium where Fed Chairman Ben Bernanke will be speaking on 31 August.

■ US existing home sales, prices rise in July

US existing home sales rose in July and prices climbed the most in more than six years, the National Association of Realtors (NAR) said on Wednesday in a fresh sign of stabilisation in the depressed housing market. Sales of previously-owned homes increased 2.3% to an annual rate of 4.47 million in July, and were up 10.4% from a year ago. NAR said July sales rose in every region where inventory was very tight, except the West. The median price for all housing types, including apartments and townhouses, was US\$187,300 in July, a gain of 9.4% from a year ago. July marked the fifth consecutive month of annual price rises as the housing sector slowly begins to recover.

■ China manufacturing contracts at faster pace in August

The HSBC Flash China manufacturing PMI for August fell to 47.8, its lowest level since November and well down from July's final figure of 49.3. China's manufacturing sector contracted at its sharpest pace in nine months in August, showing falling export orders and rising inventories, a signal that more policy stimulus may be needed to engineer a second half pick-up in growth. Falling demand from debt-ridden Europe, China's single biggest export market, has put the Chinese economy under pressure, with ripples being felt throughout east Asia. The PBOC appears to be using an alternative policy tool, injecting a net 278 billion yuan into the interbank money market, the largest net injection since early January, rather than through a cut in bank reserves, indicating its concern about stoking inflation.

■ Singapore's July inflation down to 20 month low of 4%, but upside risk ahead

Singapore's headline inflation slowed to the lowest level in 20 months in July. The CPI gained 4.0% in July from a year ago, well below June's 5.3% pace. But while the pace of increase for both housing and private transport costs slowed in July, the MTI and MAS warned rising car prices posed a risk to the government's inflation forecast of 4%-4.5% for 2012. The core inflation, which excludes housing and car prices, slowed to 2.4% y/y from 2.7% in June, giving MAS some leeway to boost the economy when it issues its next monetary policy statement in October. MTI and MAS said that core inflation will fall over the next few months to average 2.5%-3% for the whole year.

■ German Q2 growth driven by exports, households; Flash PMI manufacturing up in August

Exports rose 2.5% in Q2 from Q1 and private consumption increased 0.4%, the Federal Statistics Office in Wiesbaden said. Economic growth slowed to 0.3% q/q seasonally adjusted in Q2, from 0.5% in Q1, the office said, confirming an initial estimate published August 14. Preliminary German PMI Manufacturing increased to 45.1 points in August, from 43.0 points in July, according to Markit. The result is above market consensus of 43.5 points. The composite PMI fell to 47.0, a 38-month low, marking a fourth straight month of contraction.

■ Eurozone looks headed for 2nd recession in 3 years

The eurozone now looks destined for its second recession in three years, according to business surveys that showed the economic rot is even spreading through Germany, the region's largest and strongest economy. The 17-nation eurozone will likely contract 0.5%-0.6% in Q3 as orders for new business decline again, Markit's composite PMI, which measures manufacturing and services together, nudged up to 46.6, pipping forecasts for it to hold steady at July's 46.5. But that notched a seventh month below 50.

■ US new-home sales match 2-year high

Sales of new homes in the US rose 3.6% in July to an annual rate of 372,000 matching a two-year high reached in May. Although up 25% from a year ago, the steady recovery in the housing market is still far from the annual pace of 700,000 that economists consider healthy.

■ More time for Greece "not a solution": Germany's Schaeuble

"More time is not a solution to the problems," Schaeuble said, addressing Samaras' hopes that his country Greece might be given four years instead of two to push through painful economic reforms, to alleviate the impact on the Greek people. Schaeuble said more time could also mean "more money" and Europe's help for Greece had already "gone to the limits of what is economically viable."

■ Drop in key US durable goods orders shows weakness

Overall orders for durable goods rose 4.2% in July. But excluding aircraft and transportation goods, orders dropped 0.4%. Orders for core capital goods, a key measure of business investment plans, fell 3.4%, the largest drop since November and the fourth decline in 5 months.

Market Snapshot

Selected Equity Indices	Last (Aug 24)	1-week return	Year-to-date return
Dow Jones Industrial Average	13,157.97	-0.88%	7.70%
S&P 500 Index	1,411.13	-0.50%	12.21%
FTSE 100 Index	5,776.60	-1.30%	3.67%
Euro Stoxx 50	2,434.23	-1.51%	5.08%
Nikkei 225	9,070.76	-1.00%	7.28%
Hang Seng Index	19,880.03	-1.17%	7.84%
Shanghai SE Composite	2,092.10	-1.08%	-4.88%
BSE Sensex Index	17,783.21	0.52%	15.07%
Straits Times Index	3,050.49	-0.38%	15.27%

Source: Bloomberg

Week Ahead

Economic Calendar (Selected Events)				
Mon, Aug 27	Tue, Aug 28	Wed, Aug 29	Thu, Aug 30	Fri, Aug 31
Dallas Fed Mfg Survey	S&P Case-Shiller HPI	<i>GDP</i>	<i>Jobless Claims</i>	Chicago PMI
	Consumer Confidence	Pending Home Sales Index	<i>Personal Income and Outlays</i>	Consumer Sentiment
		EIA Petroleum Status Report		Factory Orders
		Beige Book		

Red: Market moving indicator

Black: Merits extra attention

Source: Bloomberg



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