

## Headlines

- [China August inflation at 2 percent, narrows room to ease](#). *Reuters.com, 09 Sep 2012*
- [IMF backs Draghi; says Spain, Italy have done enough](#). *Reuters.com, 09 Sep 2012*
- [US fiscal cliff endangers world economy, Lagarde tells APEC](#). *Bloomberg.com, 09 Sep 2012*
- [Retail sales probably increased in July: US economy preview](#). *Bloomberg.com, 09 Sep 2012*

## Weekly Review (for week ending 07 September 2012)

### ■ China manufacturing at more than 3-year low: HSBC

The final reading of the HSBC China manufacturing PMI for August fell to a seasonally adjusted 47.6, its lowest level since March 2009, down from 49.3 in July and slightly below a flash reading of the index late last month. It followed China's official factory PMI - one of the early indicators of the state of the economy - which fell to a lower-than-expected 49.2 in August. Chief among manufacturers' concerns are the softness in new orders as demand falters, particularly from the eurozone.

### ■ Eurozone manufacturing PMI dips to 45.1 in August

The Eurozone manufacturing sector PMI contracted for the thirteenth successive month in August. At 45.1, up from July's 37-month low of 44.0, the final Markit Eurozone Manufacturing PMI came in below the earlier flash estimate of 45.3. Eurozone manufacturers were hit by weaker inflows of new work from domestic markets, falling levels of intra-Eurozone trade and a broader softening of global economic growth. The level of incoming new export orders declined for the fourteenth month running in August, with the rate of contraction the steepest since November 2011. The steepest drops in new export business were registered in Germany and Greece, the fastest since April and January 2009 respectively.

### ■ Singapore's PMI contracts for 2nd consecutive month

In line with the weak PMI data for China and other Asian exporters, Singapore's barometer of industrial activity slid further into the sub-50 contraction zone to a reading of 49.1 in August, down from July's 49.8. The PMI contracted for a second straight month despite a sparkling contribution from electronics; the electronics index made a surprise leap over the 50-point threshold into expansion zone with a reading of 50.7, up from July's 49.2. Its production sub-index surged from 49.2 to 56.3, its highest reading since July 2010.

### ■ US ISM manufacturing continues to shrink for a third month in August

US manufacturing shrank at its sharpest pace in more than three years last month, while separate data showed exports and hiring in the sector slumped in another blow to the country's struggling economy. August was the third month in a row of contraction in manufacturing, and firms in the sector hired the fewest workers since late 2009, according to an Institute for Supply Management survey. The ISM's index of national factory activity fell to 49.6 in August, from 49.8 in July.

### ■ Australian economic growth slowed in Q2 as households cut spending

Australia's economic growth slowed more than expected in Q2, undermined by a fall in household spending growth and a slowdown in mining production. The economy grew by 0.6% q/q in Q2, less than half the rate it grew in Q1, which was upwardly revised to 1.4% growth. Although slightly below expectations of 0.7% growth, this was still a healthy 3.7% growth in real terms for the fiscal year. Treasurer Wayne Swan said Australia was growing faster than every single major advanced economy and had completed a "stunning" 21 consecutive years of economic growth. Such a feat had not been matched by any other advanced economy over this period.

### ■ Eurozone's GDP shrinks 0.2% in Q2

The EU's statistics office Eurostat confirmed on Thursday its previous estimate that GDP in the 17-nation eurozone fell 0.2% quarter-on-quarter, to make for a 0.5% year-on-year fall, a revision from the previously reported -0.4%. Strong exports limited the eurozone's economic contraction despite falling investment, inventories and private consumption that underscored the extent of the weak economy.

### ■ ECB keeps rate unchanged, gives details on unlimited bond buying program

The ECB held the refinancing rate at 0.75%, against market expectations. But President Draghi provided additional details on the ECB's new bond buying program, which they have named as Outright Monetary Transactions (OMT). It will involve unlimited bond purchases with maturities ranging from one to three years. The ECB purchases will be on "equal footing", indicating that they will not have seniority over private holders/purchasers of those same bonds and the liquidity created by the OMT purchases will be fully sterilised. This is different from the Fed and the BoE, as the ECB avoids going down the path of quantitative easing, which entails creating new money that is used to buy securities. It will only buy debt from nations that seek aid tied to strict conditions from Europe's EFSF/ESM rescue facilities.

### ■ Weak US jobs data, but unemployment dips to 8.1%

The weak US economy added a meagre 96,000 jobs in August, and the official number of jobless fell by a quarter-million people to 12.5 million. That helped to bring the unemployment rate down to 8.1% from 8.3% in July, the Labour Department said. But behind that seeming positive data was a more ominous change: some 368,000 people gave up searching for jobs and left the labour force, leading to a substantial net rise in the total number of working-age Americans out of work. The number of people actively seeking jobs, and others who say they want work but are not searching, rose to 19.5 million after falling for much of the year. Economists concluded that Friday's data makes it more likely that the Fed will approve a new round of QE3 measures at the next FOMC meeting on September 12-13.

## Market Snapshot

Selected Equity Indices	Last (Sep 7)	1-week return	Year-to-date return
Dow Jones Industrial Average	13,306.64	1.65%	8.91%
S&P 500 Index	1,437.92	2.23%	14.34%
FTSE 100 Index	5,794.80	1.46%	3.99%
Euro Stoxx 50	2,538.60	4.01%	9.59%
Nikkei 225	8,871.65	0.36%	4.92%
Hang Seng Index	19,802.16	1.64%	7.42%
Shanghai SE Composite	2,127.76	3.92%	-3.26%
BSE Sensex Index	17,683.73	1.74%	14.42%
Straits Times Index	3,011.70	-0.45%	13.81%

Source: Bloomberg

## Week Ahead

Economic Calendar (Selected Events)				
Mon, Sep 10	Tue, Sep 11	Wed, Sep 12	Thu, Sep 13	Fri, Sep 14
	<i>International Trade</i>	Import and Export Prices	<i>Jobless Claims</i>	<i>Consumer Price Index</i>
		EIA Petroleum Status Report	<i>Producer Price Index</i>	<i>Retail Sales</i>
			<i>FOMC Meeting Announcement</i>	<i>Industrial Production</i>
				Consumer Sentiment
				Business Inventories

Red: Market moving indicator

Black: Merits extra attention

Source: Bloomberg



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