

Headlines

- [EU's Rehn welcomes ECB's rates forward guidance](#). *Reuters.com, 07 Jul 2013*
- [IMF's Lagarde says US 'sequester' budget cuts inappropriate](#). *Reuters.com, 07 Jul 2013*
- [IMF may cut global growth forecast as emerging markets slow](#). *Bloomberg.com, 07 Jul 2013*
- [Australian dollar decline a boost for exports, Treasurer Bowen says](#). *Bloomberg.com, 07 Jul 2013*

Weekly Review (for week ending 05 July 2013)

■ China's June manufacturing PMI falls to 50.1

China's PMI for the manufacturing sector fell to 50.1 in June from 50.8 in May, according to data on Monday. The PMI stayed above 50 for the ninth consecutive month in June. Weaker gains in manufacturing and a cash squeeze in the banking system add to odds that Li Keqiang will become the first premier to miss an annual growth target since the Asian financial crisis in 1998. In the latest signal that policy makers will tolerate slower expansion, President Xi Jinping said local officials shouldn't be judged solely on their record in boosting GDP.

■ Japanese manufacturers optimistic for first time in 2 years

Big Japanese manufacturers turned optimistic for the first time since September 2011, indicating confidence in Prime Minister Shinzo Abe's reflationary policies even after stock market volatility. The quarterly Tankan index for large manufacturers rose to **plus 4** in June from **minus 8** in March, higher than economists' forecast for **plus 3**, the Bank of Japan said. A positive figure means optimists outnumber pessimists. Large companies from all industries plan to increase capital spending 5.5% in this fiscal year as the government looks to promote business and capital investment through various tax reforms including allowing companies to claim depreciation in a lump-sum.

■ New orders for US factory goods rise 2.1% in May

Orders to US factories rose in May, helped by a third straight month of stronger business investment. The gain suggests manufacturing is picking up after a weak start to the year. The Commerce Department says factory orders rose 2.1% in May. April's increase was revised higher to 1.3% from 1%. Most of the gain was due to a big jump in volatile commercial aircraft demand.

■ Singapore PMI hit 2-year high in June but pullback likely in Q3

Singapore's manufacturing sector continued to buck the regional trend of faltering factory activity last month, as the PMI rose to a 2-year high of 51.7 in June from 51.1 in May. But economists say that the details are more telling of what is to come: the sub-indices tracking new domestic and export orders have slipped, which is why some of them now think that a pullback in manufacturing output is likely in Q3. The PMI above 50 for 4 months bolsters the view that "manufacturing activity is on the road to recovery, although it's a slow one", said UOB.

■ Modest expansion in China services sector adds to growth worries

China's services sector expanded modestly in June with the vast construction industry acting as a drag on output, in a further sign that the economy is losing momentum. The headline services PMI published by the NBS slipped to a 9-month low of 53.9 in June from May's 54.3, and the reading from a Markit/HSBC survey improved a touch to 51.3 from 51.2 in May. The slight drop in the services sector was mainly caused by a seasonal fall in the construction industry. China's services sector accounted for 46% of the economy in 2012.

■ BoE keeps rates at 0.5%; MPC votes against bond buying

The BOE, at its first policy meeting under new governor Mark Carney, said that a recent rise in bond yields was not warranted by the state of the British economy and signalled that it could give further guidance on interest rates next month. The Bank's MPC voted against reviving its bond-buying programme and kept interest rates at a record 0.5%, as widely expected. But the MPC took the unusual step of issuing a statement even though it made no new policy moves. The MPC said that this debate could affect its Aug 1 rate decision.

■ Rates to stay low for extended time: ECB

Eurozone interest rates will stay at the current low levels for as long as needed to support recovery in the region's ailing economy. "Monetary policy will remain accommodative for as long as necessary", ECB chief Mario Draghi said, giving this latest assurance to the market after the ECB left its key interest rate at an all-time low level of 0.50% for the third month in a row. It was the first time that the ECB has ever given forward guidance with regard to the future path of interest rates. The decision to do this was "unanimous", Draghi added.

■ German factory orders drop as euro-area economy struggles

German factory orders unexpectedly fell for a second month in May in a sign that the euro area's struggle to emerge from its longest-ever recession is disrupting its economic recovery. Orders, adjusted for seasonal swings and inflation, dropped 1.3% from April, when they fell a revised 2.2%. Economists had forecast a gain of 1.2%. Orders slid 2% from a year ago, when adjusted for the number of working days.

■ Brightening US jobs picture may draw Fed closer to tapering

US job growth was stronger than expected in June and the payroll gains for the prior two months were revised higher, cementing expectations for the Federal Reserve to start winding down its massive stimulus program as early as September. Employers added 195,000 new jobs to their payrolls last month, while the unemployment rate held steady at 7.6% as more people entered the workforce. The government revised its count for April and May to show 70,000 more jobs were created than previously reported, a sign the economy was on solid ground, despite higher taxes, government spending cuts and signs of weakness overseas.

Market Snapshot

Selected Equity Indices	Last (Jul 5)	1-week return	Year-to-date return
Dow Jones Industrial Average	15,135.84	1.52%	15.50%
S&P 500 Index	1,631.89	1.59%	14.42%
FTSE 100 Index	6,375.52	2.58%	8.10%
Euro Stoxx 50	2,596.01	-0.25%	-1.51%
Nikkei 225	14,309.97	4.63%	37.66%
Hang Seng Index	20,854.67	0.25%	-7.95%
Shanghai SE Composite	2,007.20	1.41%	-11.54%
BSE Sensex Index	19,495.82	0.52%	0.36%
Straits Times Index	3,169.73	0.61%	0.08%

Source: Bloomberg

Week Ahead

Economic Calendar (Selected Events)				
Mon, Jul 8	Tue, Jul 9	Wed, Jul 10	Thu, Jul 11	Fri, Jul 12
		EIA Petroleum Status Report	<i>Jobless Claims</i>	<i>Producer Price Index</i>
		<i>FOMC Minutes</i>	Import and Export Prices	Consumer Sentiment
			Treasury Budget	

Red: Market moving indicator

Black: Merits extra attention

Source: Bloomberg



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