

Monday, 22 July 2013

Weekly Update

Headlines

- [G20 puts growth before austerity, vows to tread carefully](#). *Reuters.com, 20 Jul 2013*
- [Chinese economy set to turn around, no hard landing: finance minister](#). *Reuters.com, 21 Jul 2013*
- [China removes floor on lending rates as economy slows](#). *Bloomberg.com, 20 Jul 2013*
- [Home sales probably increased in June: US Economy Preview](#). *Bloomberg.com, 21 Jul 2013*

Weekly Review (for week ending 19 July 2013)

■ China Q2 GDP slows to 7.5% yr/yr, in line with expectations

China's annual economic growth slowed to 7.5% in Q2 of 2013 from 7.7% - the second straight quarter of slower growth, official data showed on Monday. The Q2 number, announced by the National Bureau of Statistics, was in line with market expectations in a Reuters poll. Many investors were primed for a downside surprise versus the consensus, especially after dismal trade data published by the customs last week. The world's second-largest economy grew 7.6% in the first six months of 2013 from a year earlier.

■ US retail sales growth slows unexpectedly in June

US retail sales grew in June, but at a slower rate than was expected by many analysts. Sales were up by a seasonally-adjusted 0.4%, half the 0.8% rate expected. Sales of building materials, often a volatile item, fell 2.2% in June, said the Commerce Department. Car sales which can also vary greatly from month to month jumped 2.1%, while furniture and household goods rose 2.4%. Total retail sales in June were 27.5% up from their level at the bottom of the recession in mid-2009. The figures come on top of weaker trade and manufacturing data, pointing to a softening in the US recovery. Even more worrying is that sales growth appears to be losing momentum heading for Q3.

■ US inflation rises to 1.8% in June

Annual US consumer price inflation hit 1.8% in June as clothing, petrol and services costs all increased. That was up from the 1.4% figure recorded in May but still below the target inflation figure of 2%. The consumer price index increased by 0.5% in June from the month before. Taking out energy and food, core consumer prices increased by 0.2% between May and June, giving an increase over 12 months of 1.6%, the slowest pace in two years. While low inflation might be good for consumers, it can hurt corporate profits.

■ Singapore's NODX fall 8.8% y/y in June

Singapore exports ended Q2 on a sour note with June NODX contracting 8.8% y/y, worse than the 4.6% contraction in May and forecast of -6.0%. The fall was due to both the decline in electronic exports (-11.5%) and a plunge in pharmaceutical exports (-35.4%). Within electronics, parts of PC (-35.4%y/y), disk media products (-46.3%y/y) and disk drives (-26.8%y/y) continued to be the hardest hit. Month-on-month, the NODX rose a seasonally-adjusted 3.2% in June to reverse the previous month's 1.1% dip.

■ Fed will not raise rates in foreseeable future

With the economy still facing risks, especially from government spending cuts, Bernanke told a Congressional panel that the Fed was still planning to trim its quantitative easing stimulus, if growth continues at a steady pace. "I don't think the Fed can get interest rates up very much, because the economy is weak, inflation rates are low", Bernanke told the House Financial Services Committee. "If we were to tighten policy, the economy would tank". Underscoring his message, he said that eventually increasing the federal funds rate from its near-zero level still hinged on reducing the unemployment rate, now at 7.6%, to 6.5% or less, and keeping inflation tame at around 2%.

■ US housing starts tumble in June

US housing starts dropped a sharp 9.9% in June while building permits also fell, amid a bumpy housing recovery, according to Commerce Department data released Wednesday. Starts on privately-owned housing fell to an annualized pace of 836,000, from an upwardly-revised May estimate of 928,000. The decline was led by multifamily units, a particularly volatile sector, which plummeted almost 27%. Starts on single-family homes fell 0.8%. Building permits, an indicator of potential growth in housing construction, dropped 7.5% from May to a rate of 911,000. Both declines surprised analysts, who on average expected rises to 958,000 starts and one million permits.

■ China June home prices leap 6.8%

Average new home prices in China's 70 major cities rose 6.8% in June from a year ago, marking the sixth month of annual increases. In month-on-month terms, prices rose 0.8% in June, easing from May's gains of 0.9%. China's 4-year-old campaign to temper home prices has been partly undone by strong demand and short supply, and by a rush of efforts by local governments to sell land to raise revenues.

■ US jobless claims fall sharply, could point to strong hiring

The number of Americans filing new claims for jobless benefits dropped more than expected last week to its lowest level since early May, a possible sign that hiring could pick up in July. Initial claims for state unemployment benefits fell by 24,000 to a seasonally adjusted 334,000, the Labour Department said. Still, a four-week average of new claims, which smooth out volatility, fell 5,250 from a week earlier.

■ China scraps controls on lending rates

The scrapping of controls on lending rates is the first major economic reform under President Xi Jinping as it moves toward a market-oriented financial system to support economic growth. Banks currently lend mostly to state industry rather than the entrepreneurs who create China's new jobs and wealth. Allowing banks to set their own rates with borrowers could channel more credit to private enterprise.

Market Snapshot

Selected Equity Indices	Last (Jul 19)	1-week return	Year-to-date return
Dow Jones Industrial Average	15,543.74	0.51%	18.62%
S&P 500 Index	1,692.09	0.71%	18.64%
FTSE 100 Index	6,630.67	1.31%	12.43%
Euro Stoxx 50	2,716.17	1.54%	3.04%
Nikkei 225	14,589.91	0.58%	40.35%
Hang Seng Index	21,362.42	0.40%	-5.71%
Shanghai SE Composite	1,992.65	-2.30%	-12.18%
BSE Sensex Index	20,149.85	0.96%	3.72%
Straits Times Index	3,213.26	-0.70%	1.46%

Source: Bloomberg

Week Ahead

Economic Calendar (Selected Events)				
Mon, Jul 22	Tue, Jul 23	Wed, Jul 24	Thu, Jul 25	Fri, Jul 26
<i>Existing Home Sales</i>		PMI Manufacturing Index Flash	<i>Durable Goods Orders</i>	Consumer Sentiment
		<i>New Home Sales</i>	<i>Jobless Claims</i>	
		EIA Petroleum Status Report		

Red: Market moving indicator

Black: Merits extra attention

Source: Bloomberg



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