

Headlines

- [Banks cut 5,500 branches across Europe in 2012](#). *Reuters.com, 11 Aug 2013*
- [France revises down 2013 growth figure](#). (AFP news) *www.channelnewsasia.com, 11 Aug 2013*
- [PM Key says Fonterra scare affected all of New Zealand's exports](#). *Bloomberg.com, 11 Aug 2013*
- [Retail sales probably climbed in July: US Economy Preview](#). *Bloomberg.com, 11 Aug 2013*

Weekly Review (for week ending 09 August 2013)

■ UK services surge to fastest in more than 6 years

UK services growth accelerated more than economists forecast last month to the fastest pace in more than six years, adding to evidence Britain's economic recovery is gathering momentum. The Markit/CIPS gauge of activity rose to 60.2 from 56.9 in June, the highest since December 2006. Economists had forecasted 57.4, according to the median of 30 estimates in a Bloomberg News survey.

■ Eurozone business activity expands for first time in 18 months

Eurozone business expanded for the first time in 18 months in July, albeit very slightly, according to a survey on Monday that suggested the economy is slowly starting to stabilise. Markit's Eurozone Composite PMI rose to 50.5 in July from 48.7 in June, breaking above the 50 threshold indicating growth for the first time since January 2012. The headline figure was revised up from a preliminary reading of 50.4.

■ Services expansion points to pickup in US growth

Service industries in the US expanded in July at the fastest pace in five months, complementing a rebound at the nation's factories and showing the economy is gaining traction. The Institute for Supply Management's non-manufacturing index increased to 56, exceeding all forecasts in a Bloomberg survey of economists, from a more than three-year low of 52.2 in June. The non-manufacturing gauge's 3.8-point gain from June was the biggest since February 2008.

■ RBA cuts rates to record low 2.5%

The RBA pushed the benchmark interest rate to a record-low of 2.50% on Tuesday. As expectations of a rate cut was so heavily priced in, the markets placed more emphasis on the RBA's forward guidance. The accompanying statement turned out less dovish than expected, with Governor Glenn Stevens stating that "the easing in monetary policy over the past 18 months has supported interest-sensitive spending and asset values, and further effects can be expected over time". He added that "the Board will continue to assess the outlook and adjust policy as needed to foster sustainable growth in demand and inflation outcomes consistent with the inflation target over time".

■ US trade gap hits 3½ year low, may boost GDP growth

The trade deficit in the US narrowed sharply in June to its lowest level in more than 3½ years as imports fell and exports touched a record high, suggesting an upward revision to Q2 growth. The trade gap fell 22.4% to US\$34.2 billion, the smallest since October 2009. The percentage decline was the largest since February 2009. May's trade deficit was downwardly revised to US\$44.1 billion from US\$45 billion. Adjusting for inflation, the trade gap narrowed to US\$43.2 billion, the smallest since January 2010, from US\$51.9 billion in May.

■ BoE ties future rate rises to drop in unemployment falls to 7%

The BoE plans to keep interest rates at a record low until unemployment falls to 7% - something unlikely for another three years - in a major new departure for British monetary policy. Barely a month after Canadian Mark Carney took over from the long-serving Mervyn King as Bank governor, the BoE said that it would keep interest rates at 0.5% unless inflation threatened to get out of control or there was a danger to financial stability. Unemployment is forecast to fall only slowly from its current level of 7.8% of the workforce, with the BoE expecting it to average 7.1% in the third quarter of 2016, the end of its forecast horizon.

■ BoJ holds steady on monetary policy; cabinet OKs blueprint for spending cuts

The BoJ maintained its policy launched in April of nearly doubling the monetary base to ¥270 trillion (\$3.5 trillion) by the end of 2014 through massive asset purchases to end nearly two decades of deflation. It held off on revising up its assessment of the economy, opting to wait for more data on whether the increasingly positive mood will encourage companies to ramp up spending. The Cabinet approved plans for cuts to welfare and public works spending intended to repair its overstretched finances. National debt exceeded ¥1 quadrillion (\$13.15 trillion) for the first time, underscoring the case for Abe to proceed with a sales-tax increase to shore up government finances.

■ Singapore's economy to grow 2.5% - 3.5% this year

The Singapore economy is holding steady amid global uncertainties and is now expected to grow 2.5%-3.5% this year, PM Lee Hsien Loong said in his National Day speech. This was a stronger upward revision of the government's earlier 1%-3% projection. The economy grew 2% in the first half of this year. The final Q2 GDP growth rate, due on Monday, may not be revised down from the flash estimate.

■ China industrial output jumps to five-month high

China's key industrial production growth accelerated to a five-month high in July, the government announced Friday as a series of statistics gave positive pointers for the world's second-largest economy. Industrial production, which measures output at factories, workshops and mines, rose 9.7% year-on-year, well above analyst expectations of 9.0%. Authorities also announced steady expansion in retail sales and fixed asset investment, and a benign inflation figure of 2.7% year-on-year in July, unchanged on last month.

Market Snapshot

Selected Equity Indices	Last (Aug 9)	1-week return	Year-to-date return
Dow Jones Industrial Average	15,425.51	-1.49%	17.71%
S&P 500 Index	1,691.42	-1.07%	18.60%
FTSE 100 Index	6,583.39	-0.97%	11.62%
Euro Stoxx 50	2,825.62	0.52%	7.20%
Nikkei 225	13,615.19	-5.88%	30.98%
Hang Seng Index	21,807.56	-1.73%	-3.75%
Shanghai SE Composite	2,052.23	1.12%	-9.56%
BSE Sensex Index	18,789.34	-1.96%	-3.28%
Straits Times Index	3,229.91	-0.74%	1.98%

Source: Bloomberg

Week Ahead

Economic Calendar (Selected Events)				
Mon, Aug 12	Tue, Aug 13	Wed, Aug 14	Thu, Aug 15	Fri, Aug 16
Treasury Budget	<i>Retail Sales</i>	<i>Producer Price Index</i>	<i>Consumer Price Index</i>	<i>Housing Starts</i>
	Import and Export Prices	EIA Petroleum Status Report	<i>Jobless Claims</i>	Productivity and Costs
	Business Inventories		Empire State Mfg Survey	Consumer Sentiment
			Treasury International Capital	
			<i>Industrial Production</i>	
			Housing Market Index	
			<i>Philadelphia Fed Survey</i>	

Red: Market moving indicator

Black: Merits extra attention

Source: Bloomberg



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