

## Headlines

- [Emerging countries must be able to control capital flows: Jackson Hole](#). *Reuters.com*, 24 Aug 2013
- [BOJ Kuroda: Monetary easing doesn't necessarily lead to capital outflows](#). *Reuters.com*, 25 Aug 2013
- [Bean says BoE jobless threshold should temper yield tightening](#). *Bloomberg.com*, 24 Aug 2013
- [Consumer spending probably climbed in July: US Economy Preview](#). *Bloomberg.com*, 25 Aug 2013

## Weekly Review (for week ending 23 August 2013)

### ■ Japan's exports rise most since 2010 as trade deficit swells

Japan's exports jumped by the most since 2010 in July, aiding PM Shinzo Abe's efforts to drive an economic recovery even as rising energy costs boosted the trade deficit. Exports increased 12.2% from a year earlier after a 7.4% rise in June. Imports climbed 19.6%, leaving a trade deficit of ¥1.02 trillion yen, the third biggest on record in data back to 1979. The seasonally-adjusted deficit widened from June to ¥944 billion yen. The stronger exports show Japan's economy is benefiting from a recovery in demand in Europe and the US, and the yen's 11% decline against the dollar this year. The health of the economy will be the key to Abe's decision in the next month on whether to raise a sales tax to 8% in April from 5% now, a step that would drag on consumption while supporting the nation's finances.

### ■ China plans to build 36 million low-cost homes in 5 years

Chinese Premier Li Keqiang's plan to build 36 million low-cost homes in five years is winning support in the bond market, where the largest lender for urbanisation enjoys the lowest relative costs in a year. The yield premium on five-year bonds sold by China Development Bank Corp, the nation's biggest policy lender, dropped 42 bps this year to 57.6 on Aug 7, the lowest in China bond data going back to July 2012.

### ■ RBNZ cracks down on mortgage lending

The Reserve Bank of New Zealand will impose restrictions on the amount of low-deposit mortgages banks can issue as of October 1, as it clamps down on the country's over-valued housing market. Under the new rules – one of the RBNZ's four macro-prudential tools – banks will only be permitted to commit 10% of their new lending to mortgages worth more than 80% of the property's value. RBNZ governor, Graeme Wheeler, said the rule was "designed to help slow the rate of housing-related credit growth and house price inflation, thereby reducing the risk of a substantial downward correction in house prices that would damage the financial sector and the broader economy".

### ■ US existing home sales jump to 3-year high

US home resales jumped in July to their highest level in over three years, suggesting a sharp increase in borrowing costs is having only a limited impact on the housing market's recovery. The NAR said existing-home sales surged 6.5% higher to an annual rate of 5.39 million units in July, rebounding from a June decline to a downwardly revised 5.06 million. In a fresh sign of the recovery under way in the housing market, existing-home sales were up 17.2% from July 2012, the 25th month that sales have stayed above the year-ago levels.

### ■ FOMC minutes show broad support for tapering but no consensus on when

Fed officials were "broadly comfortable" with Chairman Ben S. Bernanke's plan to start reducing bond buying later this year if the economy improves, with a few saying tapering might be needed soon, minutes of their last meeting show. "Almost all committee members agreed that a change in the purchase program was not yet appropriate," and a few said "it might soon be time to slow somewhat the pace of purchases as outlined in that plan," according to minutes of the FOMC's July 30-31 monetary policy committee. The FOMC affirmed a pledge on July 31 to continue bond buying until seeing signs that "the outlook for the labour market has improved substantially."

### ■ Upbeat China August flash HSBC PMI points to stabilising growth

Activity in China's vast manufacturing sector hit a four-month high in August as new orders rebounded, reinforcing signs of stabilisation in the world's second-largest economy. The Flash HSBC PMI rose to **50.1** from July's final reading of 47.7, which was the weakest in 11 months. The government has announced a series of targeted measures to support the slowing economy, including scrapping taxes for small firms, offering more help for ailing exporters and boosting investment in urban infrastructure and railways.

### ■ Eurozone activity picks up sharply in August

The Eurozone Composite PMI compiled by Markit Economics jumped to 51.7 points for August from 50.5 in July, hitting a 26-month high point as the economy climbed out of a record recession. Markit said its separate PMI for the services sector - which accounts for the bulk of economic activity - rose to 51 in August for a 24-month high, from 49.8 in July.

### ■ US jobless claims rise but trend hints at quicker hiring

Initial claims for state unemployment benefits climbed 13,000 to 336,000 last week but held close to a 6-year low, giving a positive signal for hiring during the month. Despite the increase, the 4-week moving average at 330,500, a better gauge for labour market trends, fell to its lowest level since November 2007, suggesting the economy was growing enough to fuel steady improvement in the labour market.

### ■ Dollar slides after disappointing US new-home sales

Sales of new US homes slid 13.4% in July to their lowest in nine months, hurt by the rise in US mortgage rates, suggesting an economy that may not be as robust as many people think. Sales fell to a 394,000 annualised pace and was the weakest since October. The US dollar fell against a basket of currencies on Friday. This report makes it look more likely that tapering will come later rather than sooner.

## Market Snapshot

Selected Equity Indices	Last (Aug 23)	1-week return	Year-to-date return
Dow Jones Industrial Average	15,010.51	-0.47%	14.55%
S&P 500 Index	1,663.50	0.46%	16.64%
FTSE 100 Index	6,492.10	-0.12%	10.08%
Euro Stoxx 50	2,826.05	-0.99%	7.21%
Nikkei 225	13,660.55	0.08%	31.41%
Hang Seng Index	21,863.51	-2.91%	-3.50%
Shanghai SE Composite	2,057.46	-0.53%	-9.33%
BSE Sensex Index	18,519.44	-0.42%	-4.67%
Straits Times Index	3,088.85	-3.40%	-2.47%

Source: Bloomberg

## Week Ahead

Economic Calendar (Selected Events)				
Mon, Aug 26	Tue, Aug 27	Wed, Aug 28	Thu, Aug 29	Fri, Aug 30
<i>Durable Goods Orders</i>	S&P Case-Shiller HPI	Pending Home Sales Index	<i>GDP</i>	<i>Personal Income and Outlays</i>
Dallas Fed Mfg Survey	Consumer Confidence	EIA Petroleum Status Report	<i>Jobless Claims</i>	Chicago PMI
				Consumer Sentiment

Red: Market moving indicator

Black: Merits extra attention

Source: Bloomberg



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