

## Headlines

- [Greek banks can handle capital needs in ECB test: rescue fund CEO](#). *Reuters.com*, 19 July 2014
- [Will US economy's fate be set by next two weeks' earnings?](#) *Reuters.com*, 20 July 2014
- [China home prices fall in record cities, signaling more easing](#). *Bloomberg.com*, 18 July 2014
- [UK expansion broadens with increased investment, EY Item Club says](#). *Bloomberg.com*, 20 July 2014

## Weekly Review (for week ending 18 July 2014)

### ■ Singapore's GDP growth slows to 2.1% in Q2, hurt by manufacturing woes

Advance estimates of Singapore's Q2 GDP growth came in at 2.1% y/y (-0.8% q/q *saar*), slower than consensus estimates of a 3.1% y/y (+2.1 q/q *saar*) growth rate. The slower GDP growth was due to the significant slowdown in the manufacturing sector, stemming from slower growth in the transport engineering sector and the contraction in electronics output. Both the construction and services producing sector also grew at a slower rate of 5.0% y/y and 2.8% y/y respectively. The Q1 GDP growth was revised to 4.7% y/y (1.6% q/q *saar*).

### ■ BoJ says inflation to stay above 1% despite cut in GDP forecast

The BoJ, as projected by the market, again kept its present policy stance unchanged and refrained from any new easing measures on 15 July 2014. It reiterated the similar policy statements since April 2013 and will conduct money market operations so that the monetary base will increase at an annual pace of about 60-70 trillion yen. The BOJ believes that, after hitting 1.4% in the year to May, inflation will slow in coming months due largely to the base effect of last year's spike in energy costs, before accelerating again toward its 2% target.

### ■ US retail sales tick up 0.2% in June

US retail sales increased slightly in June, evidence that consumers remain cautious despite steady job gains this year. Retail sales rose just 0.2% last month, after advancing 0.5% in May, held back by a sharp drop at building and garden supply stores. Sales also fell at restaurants and at auto dealers. Core sales, which strip out automobiles, gasoline, building materials and food services, increased 0.6% last month after rising an upwardly revised 0.2% in May. June's gains and May's upward revision to core retail sales suggested a pickup in consumer spending in Q2 after growing at its slowest pace in more than four years in Q1 because of weak healthcare consumption.

### ■ China's Q2 GDP rebounds to 7.5%

China's economic growth pace quickened in Q2, with headline coming in at 7.5%y/y from 7.4%y/y in Q1. Acceleration of the quarter-on-quarter figures is even more evident, rising a seasonally adjusted 2%q/q, a turnaround from 1.5%q/q gain in Q1. The headline figures are also consistent with other monthly releases, which are benefitting from the targeted loosening from PBoC as well as increased public spending on infrastructure sector, and these conditions should remain favourable into second half of 2014.

### ■ Singapore NODX slides for second month due to electronics

Singapore's NODX contracted for the second consecutive month in June, coming in at -4.6%y/y, below expectation of -2.7%y/y, and after a 6.6%y/y drop in May. On a seasonally-adjusted m/m basis, NODX rose by 1.5%, compared to a decline of 7.5% in May. The decline in June NODX was mainly due to the continued deterioration in the electronic exports. Singapore's electronic NODX remained weak and had contracted for the 23rd consecutive month. In June, all the segments within electronics reported a contraction in shipments and this was led by ICs (-17.3%), PCs (-32.2%) and parts of PCs (-18.5%). Non-electronic NODX rebounded to growth of 1.3% y/y in June from 2.4% y/y contraction in May. Strong growth was registered in pharmaceuticals (24.3% y/y) and petrochemicals (29.0% y/y) in June.

### ■ Eurozone June inflation unchanged at 0.1% on-month, as expected

Euro zone inflation stayed low as expected in what the ECB calls the "danger zone" in June as falling prices of food and phone calls offset more expensive tobacco and restaurants, Eurostat said on Thursday. Consumer prices in the 18 countries using the euro rose 0.1% on the month in June for a 0.5% year-on-year gain, the same annual inflation rate as in May. Core annual inflation, which excludes the volatile prices of energy and unprocessed food, stood at 0.8% in June, unchanged from May. The ECB is also keeping an eye on the euro exchange rate and its impact on inflation; it is ready to launch additional measures to prevent deflation if the euro becomes too strong.

### ■ US housing starts dives 9.3% in June

US home construction tumbled in June due to a stretch of wet weather in the South, a decline that analysts said was likely a temporary departure from a trend of recovery in the housing market. Housing starts sank 9.3% in June to a seasonally adjusted annual pace of 893,000, after a downwardly revised 985,000 pace in May. It was the weakest showing since September 2013 and the second-straight monthly drop. The June decline was driven by a nearly 30% drop in the South, the largest monthly decrease on record for that part of the country. Building permits, a forward-looking indicator of housing construction, fell 4.2% to a rate of 963,000 units.

### ■ US jobless claims fall, 4-week average at lowest in 7 years

New applications for unemployment benefits fell again last week, a fresh sign of an improving labour market. Initial claims for jobless aid decreased by 3,000 to a seasonally adjusted 302,000 in the week ended July 12, the Labour Department said Thursday. That was the second lowest reading so far this year and was below the 310,000 new claims forecast by economists. The four-week moving average of claims, which smooths out weekly volatility, fell by 3,000 to 309,000, its lowest level in seven years. A year ago, this measure stood at 345,000. Despite recent job gains, the nation's 6.1% unemployment rate remains historically elevated.

## Market Snapshot

Selected Equity Indices	Last (Jul 18)	1-week return	Year-to-date return
Dow Jones Industrial Average	17,100.18	0.92%	3.16%
S&P 500 Index	1,978.22	0.54%	7.03%
FTSE 100 Index	6,749.45	0.89%	0.01%
Euro Stoxx 50	3,164.21	0.23%	1.78%
Nikkei 225	15,215.71	0.34%	-6.60%
Hang Seng Index	23,454.79	0.95%	0.64%
Shanghai SE Composite	2,059.07	0.59%	-2.69%
BSE Sensex Index	25,641.56	2.47%	21.12%
Straits Times Index	3,310.53	0.51%	4.52%

Source: Bloomberg

## Week Ahead

Economic Calendar (Selected Events)				
Mon, Jul 21	Tue, Jul 22	Wed, Jul 23	Thu, Jul 24	Fri, Jul 25
	<i>Consumer Price Index</i>	EIA Petroleum Status Report	<i>Jobless Claims</i>	<i>Durable Goods Orders</i>
	<i>Existing Home Sales</i>		PMI Manufacturing Index Flash	
			<i>New Home Sales</i>	

Red: Market moving indicator

Black: Merits extra attention

Source: Bloomberg



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