Maunfacturing PMI data is weak globally

Chinese August PMI manufacturing was 50.9, only slightly above July's over 2+ year low of 50.7, according to HSBC/Markit. However, the new orders component was flat at 51.1 and exports orders fell to 48.3, their lowest level since March 2009;

South Korea and Taiwan August manufacturing PMI came in at 49.7 (from 51.3 in July) and 45.2 respectively - bad news for the electronics secor.

South Korean CPI rose to +5.3% YoY (the fastest since April 2009), in August, up from +4.7% in July and higher than the forecast of +4.8%. The BoK has been reluctant to raise rates, given high consumer debt;

Food inflation in India continues to rise - the wholesale price index rose to 10.05% in the week ended 20th August. It looks as if the RBI will raise interest rates at the next meeting on 16th September;

Italian August manufacturing PMI came in at 47, down from 50.1 in July and lower than the 49.2 forecast - the lowest since August 2009. Swiss August manufacturing PMI was 51.7, down from 53.5 in July, but better than the forecast 51. Irish August manufacturing PMI rose to 49.7, up from 48 in July. French August final manufacturing PMI came in at 49.1, as opposed to the 49.3 expected. German August final manufacturing PMI came in at 50.9, below the 52 expected - the lowest since September 2009. Euro Zone final August manufacturing PMI was 49, below the flash estimate of 49.7 and down from 50.4 in July UK August manufacturing PMI was 49.0, below the flash estimate of 49.7 and down from 49.4 in July, though in line with forecasts - the 1st contraction since September 2009;

Swiss GDP rose by just +0.4% in the 2nd Q, QoQ, where it increased by +0.6%. The strong Swissy hurt exporters. There is a serious threat of deflation in Switzerland;

Spain sold E3.621bn of 5 year bonds today - the target was E3bn - E4bn. The bid to cover ratio was just 1.8 times and the average yield was 4.489%. Generally not a good result. Spanish 10 year yields are up 6bps to 5.11%. The ECB is buying Spanish bonds again today;

Watch out Greece is about - yet again. A number of Greek banks have run out of eligible collateral with which to raise funds from the ECB and are having to raise funds from their Central Bank. The euphoria surrounding the proposed bank merger has reversed completely. Expect a lot of bad news imminently and, as a follow up, another Euro Zone crisis;

Whilst luxury home prises in London continue to rise, UK home prices generally fell by the most in 10 months in August (-0.6%) according to Nationwide Building society. Generally, house prices should decline further, ex London luxury, which is still benefiting from strong foreign demand;

Further downgrades for the UK economy - the British Chamber of Commerce has reduced this years GDP forecast from +1.3% previously to +1.1% (still too optimistic) and to +2.1%, from +2.2% in 2012. The BoE is very likely to increase its £220bn QE programme, possibly by a further £50bn as early as this year;

The Brazilian Central Bank cut interest rates unexpectedly yesterday - to 12.0%, from 12.5% previously. They cited weaker international growth and domestic demand. It had previously raised rates in each of the previous 5 meetings. Inflation is expected to decline this month according to the Central Bank and be within the target by mid 2012 - optimistic;

Summary

Asian markets were weaker today as are European. The Euro continues to slide - currently US$1.4292. Gold is off a bit (US$1819) and Oil (Brent) is trading just above US$114. The weaker Euro is adversely impacting markets.

It looks as if there is rising pressure on Euro Zone peripheral bonds - the ECB is the only buyer in town. Expect the pressure to continue. The Chinese have been buying Euro's recently, but its telling that the Euro is declining. The German's continue to criticise the ECB for its bond buying programme - here we go again. Surely these guys must know that they have to shut up in public.

US jobless claims + ISM will be market movers later today, but the real bigggie is tomorrows NFP data.

Looks like the time to put on your tin hat's, unless US employment data surprises on the upside.