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China will use 'all necessary means' against US trade probe

China will use all necessary means to defend the interests of the country and its companies against a US trade investigation, the Beijing government has warned. But on Thursday ministry official Gao Feng doubled down on the warnings, telling reporters at a regular news conference: “We will take all the necessary measures to resolutely defend the interests of China and Chinese firms” in the face of the unilateral U.S. actions. The probe is the Trump administration's first direct measure against Chinese trade practices, which the White House and US business groups say are bruising American industry. Gao also said that China's support for overseas investment by Chinese firms will not change, but that oversight of deals will increase and projects related to China's Belt and Road initiative will be given priority.

China's cabinet has released guidelines to manage overseas investments, with certain sectors encouraged and others restricted or banned outright. Overseas investments in areas such as hotels, cinemas, the entertainment industry, real estate and sports clubs have been limited after a spree that has seen wealthy Chinese take control of two English Premiership football clubs. The rules have banned outright investments in enterprises related to gambling and the sex industry.

Mergers and acquisitions by Chinese companies in countries linked to the Belt and Road initiative have been growing at a rapid rate, even as the government takes aim at China's acquisitive conglomerates to restrict capital outflows.“We will further improve the overseas investment reporting management system,” said Gao, adding China would push forward legislation to govern foreign investment.

UK trade deficit widens as fall in sterling fails to improve export sales

Britain's trade position with the rest of the world worsened in June as the sharp fall in the value of the pound since the Brexit vote failed to lift sales of UK-made goods abroad. The trade in goods deficit widened unexpectedly to £12.7bn, from £11.3bn in May, as exports fell by 2.8% but imports rose by 1.6% according to the Office for National Statistics. It was the biggest deficit in nine months and much wider than economists' forecasts of £11bn.The figures are the latest sign that a weak pound is failing to boost exports, despite making British goods cheaper abroad. The pound is 13% lower against the dollar than it was on the day of the EU referendum, at $1.2988. It is down 15% against the euro, at €1.1052.Weaker exports in June were driven by a 7.9% fall to countries outside the EU, while goods exported to EU member states rose by 2.7%.

“The UK is becoming more and not less dependent on the European Union, whatever the result of the referendum last year,” said Edward Hardy, an economist at World First. “The numbers are a firm signal that the continent is still the place to be for selling overseas and making the most of the weaker pound.”

But he said UK corporations were still not seizing the opportunity, with the weaker exchange rate yet to feed through to higher exports, as well as being countered by a booming import trade. The broader deficit in goods and services – which includes imports and exports of services such as banking and legal advice – increased by £2bn in June to £4.6bn, as imports rose by 3.3% but exports fell by 0.7%.In the second quarter overall, the goods and services deficit widened slightly by £100m to £8.9bn, as increases in exports were closely matched by increases in imports.

Suren Thiru, the head of economics at the British Chambers of Commerce, said the trade figures were disappointing and businesses needed more support from the government. He said: “As the Brexit negotiations unfold, safeguarding the favourable terms of trade that UK firms currently enjoy with partners and markets in Europe and beyond must be a key priority. More must also be done to provide greater practical and frontline assistance to UK businesses looking to trade in both current and new markets.”Separate figures on production and construction from the ONS confirmed the UK growth was sluggish in the second quarter, when the economy grew by 0.3%.

The National Institute of Economic and Social Research estimates the pace of economic growth slowed to 0.2% in the three months ending in July. Amit Kara, the head of UK macroeconomic forecasting at the thinktank, said: “We see a modest recovery in the second half of this year in response to strengthening global growth and a weaker currency but, on the flipside, consumer spending is likely to be weighed down by weak wage growth and investment spending held back by Brexit-related uncertainty.”

The ONS figures showed UK manufacturing failed to grow in June, with output flat over the month following a 0.1% fall in May. The broader measure of industrial production, which includes mining and utilities as well as manufacturing, rose 0.5%, beating economists' expectations of a 0.1% increase. In the second quarter overall, industrial production fell by 0.4% compared with the first quarter. It was dragged down by a 0.6% fall in manufacturing, in part because of a sharp fall in car production. Construction output fell by 1.3% between April and June, after growth of 1.1% in the first three months of the year

This is the U.S. dollar's fastest rise in 40 years

The U.S. dollar is incredibly strong again, but no one predicted it would beef up this quickly.

America's greenback is enjoying its fastest rise in 40 years, according to Citibank (C). Over the past eight months, the U.S. dollar has strengthened dramatically against all the world's other major currencies. Don't expect that to change any time soon. Since the start of 2015 alone, it's gone up in value about 14%, according to Bank of America (BAC) Merrill Lynch.

Why the jump? The dollar's rise is a direct result of America's strong economy while other parts of the world struggle. Europe is enacting a new stimulus program to revive its economy, and Japan is also in stimulus mode. Travelers are familiar with exchange rates and how they can impact the cost of goods. But the strong dollar's impact goes well beyond travel. It effects everything from gas prices at the pump to the profits of America's big businesses that sell things overseas. Many corporations such as Coke (KO) and Boeing (BA) warned that the strengthening dollar is harming their bottom lines, especially in Europe. The euro's big slide: One euro is now worth $1.05 -- its lowest level since 2003. This exchange rate was unthinkable only a few years ago when one euro was worth $1.37 and some predicted the euro could even replace the dollar as the global currency of choice.

But you might want to wait a little longer to book that European vacation: the euro could be below $1 sometime in the next year, according to a Goldman Sachs (GS) report. They forecast one euro going as low as 80 cents by the end of 2017.The dollar's fast paced rise has convinced many that the rally won't end anytime soon."Speed does matter," says Steven Englander, managing director of fixed income strategy at Citi. "What's going to stop the dollar from continuing to make these gains?"

What's ahead: America's economy certainly won't stop the dollar's surge. The job market is on a tear, growth is picking up and the Federal Reserve is likely to raise its key interest rate this year for the first time in almost a decade. At the same time, Europe's new stimulus program is lowering interest rates across the pond. It's a recipe for the dollar to gain even more value this year, experts say.

Outside of travelling abroad, the dollar's impressive rise will have an impact at the pump. A strong dollar, coupled with an over-supply of oil, helps keep gas prices low. But the dollar's record pace could be a negative for America's big businesses. They will struggle to sell their products abroad because the strong dollar will make them too expensive for foreign buyers."If we continue to see the dollar appreciating this fast, it will be an issue," Englander says.

U.S. services sector growth accelerates; trade deficit edges up

U.S. services sector activity accelerated in August amid strong gains in new orders and employment, suggesting that a slowdown in job growth last month was probably temporary. The economic outlook received a further boost from other data on Wednesday showing only a modest rise in the trade deficit in July. The reports were the latest signs that the economy had gathered momentum early in the third quarter. Economists, however, cautioned that Hurricane Harvey, which devastated parts of Texas, could sap some of the strength."The U.S. economy carried a little more momentum than originally thought," said Jennifer Lee, a senior economist at BMO Capital Markets in Toronto. "However, some of that momentum will be blunted by, for starters, Hurricane Harvey."

The Institute for Supply Management (ISM) said its non-manufacturing activity index increased 1.4 points to 55.3 in August, rebounding from an 11-month low in the prior month. A reading above 50 indicates expansion in the sector, which accounts for more than two-thirds of U.S. economic activity. Last month's increase in services industry activity also reflected a jump of 1.6 points in the production sub index. Even more encouraging, a measure of services sector employment jumped 2.6 points. The government reported last week that the economy created 156,000 jobs in August, with the private services sector hiring the smallest number of workers in five months.

Economists largely shrugged off the slowdown in job growth, blaming it on a seasonal quirk. Over the past several years, the initial August job count has tended to exhibit a weak bias, with revisions subsequently showing strength. Last month, services industries also reported an increase in new orders as well as prices. The ISM said the "majority of respondents are optimistic about business conditions going forward."

The so-called real goods deficit in July was below the second-quarter average of $62.4 billion. While that suggests trade could add to gross domestic product in the third quarter, economists at Wrightson ICAP cautioned that Hurricane Harvey could significantly impact commodity prices and trade volumes, and push up the trade deficit in September. Trade added two-tenths of a percentage point to GDP in the second quarter.

The politically sensitive U.S.-China trade deficit increased to an 11-month high in July. That ongoing deficit has grabbed the attention of President Donald Trump, who has blamed it for helping to decimate U.S. factory jobs as well as stunting U.S. economic growth. Trump, who argues that the United States has been disadvantaged in its dealings with trade partners, has ordered the renegotiation of the North American Free Trade Agreement (NAFTA), which was signed in 1994 by the United States, Canada and Mexico.

China August imports beat expectations, but exports disappoint

China reported data pointing to strong domestic demand as imports beat expectations in August, although overall export growth eased. In August, China reported August exports were up 5.5 percent from a year ago in dollar terms, while imports were up 13.3 percent in dollar terms. Analysts polled by Reuters expected a 6.0 percent rise in Chinese exports in August from a year ago in dollar terms. August imports were forecast to rise 10.0 percent in the same period."The strong import data suggests that domestic demand may be more resilient than expected in the second half," Louis Kuijs, head of Asia economics at Oxford Economics wrote in a note. As for exports, the headline figure points to a softening of global demand momentum, although a pickup in shipment growth to emerging Asia and the U.S. offset slower export expansion to the EU and Japan, Kuijs added.

The slowdown in export growth may be temporary, said ANZ's senior China economist, Betty Wang. Even with the recent strength in the Chinese currency, China's role in global supply chains is unlikely to replace in the near term as the country's export competitiveness shifts from low-value added to high-tech products, added Wang. China's August trade balance was $41.99 billion, data from the General Administration of Customs showed. The country's surplus with the U.S. rose to $26.23 billion from $25.2 billion in July. The two countries' trade is closely-watched amid current tensions between the economic giants about trade practices. China's economic data have been showing robust growth ahead of leadership changes later this year. But many expect the mainland's economy to slow in the second half of the year due to a crackdown on debt and as the property market cools.

In July, China reported a 7.2 percent increase in imports and a 11.0 percent on-year rise in exports in dollar terms. Market watchers are keeping their eyes on the health of the world's second-largest economy ahead of a key Communist Party meeting in October. China also reported August exports were up 6.9 percent in yuan terms, while imports were up 14.4 percent in yuan terms from a year earlier, Chinese customs data showed.

Spain's June deficit, minus town halls, hits 2.32 pct of GDP

Spain's public deficit, not including town halls, was 2.32 percent of gross domestic product (GDP) in June, up from 1.59 percent of GDP registered to May, the budget ministry said on Tuesday. The deficit figure included the central government, regions and social security but not financial aid granted to the country's lenders. Spain aims to shrink its public deficit to 3.1 percent of GDP in 2017, under goals agreed with Brussels, from 4.54 percent reached in 2016 - the first time since the financial crisis it was within its target.

ECB's Stournaras backs calls for euro zone integration

Greece's central banker said on Saturday that the euro zone should be reformed and equipped with efficient tools to counter future economic crises, echoing recent calls for a reshape of the euro currency block."We need a visionary and ambitious, and at the same time a realistic approach, to turn the currency union into a more integrated financial and currency union with efficient crisis-management tools and resources," Yannis Stournaras, who also sits on the ECB's governing council, said in an editorial in the Ta Nea newspaper on Saturday.

Stournaras said the euro zone should be strengthened because the ECB cannot be the single institution responsible for ensuring the euro zone's stability nor can it maintain its ultra-loose monetary policy forever. His comments came a day after French President Emmanuel Macron used a two-day trip to Athens to send a message to fellow euro zone leaders about the need to strengthen the currency union at a time when Greece is coming out from years of economic crisis. Stournaras also backed a German proposal for a fully fledged European Monetary Fund which would be used to head off future economic shocks.

France's Macron, a centrist, was elected in May on a pro-EU platform that included pledges to create a euro zone budget that would be voted through by a euro zone parliament and supervised by a euro zone finance minister. Stournaras referred to that proposal as a possible way to improve the "sharing of risks and responsibilities" in the single currency union.

Trade indicator points to continued modest recovery of world trade in third quarter

The WTO's latest World Trade Outlook Indicator (WTOI) suggests that global merchandise trade growth will continue to strengthen in the third quarter of 2017. The latest reading of 102.6 is higher than the previous reading of 102.2 issued in May this year, suggesting sustained momentum for trade growth. Strong performances in air freight, export orders and container shipping are balanced by weaker results in other indices.

The WTOI is designed to provide "real time" information on the trajectory of world trade relative to recent trends. Combining several trade-related indices into a single composite indicator, the WTOI measures short run performance against medium-term trends. The latest reading of 102.6 is the highest level of the indicator since April 2011, suggesting that trade volume growth will continue to be above trend in the third quarter of 2017. Strong growth in export orders, air freight and container shipping is leading the upward trend in the indicator as economic activity picks up around the world. Results for agricultural raw materials and electronic components trade have been weaker, but both indices have turned up recently.

Meanwhile, weak growth in automobile production and sales is a cause for concern as it may signal weakening consumer confidence. Global export orders also show signs of plateauing, which could mean that upward momentum in trade growth may have peaked. If this is the case, trade growth would be expected to moderate later this year.

These results are slightly stronger than the WTO's most recent trade forecast of 12 April 2017, which anticipated moderate trade growth this year after weak expansion last year. The WTOI is not intended as a short-term forecast, although it does provide an indication of trade growth in the near future. Its main contribution is to identify turning points and gauge momentum in global trade growth. As such, it complements trade statistics and forecasts from the WTO and other organizations. Readings of 100 indicate growth in line with medium-term trends; readings greater than 100 suggest above trend growth, while those below 100 indicate the reverse. The direction of change reflects momentum compared with the previous month.