

## Headlines

- [Germany says further steps needed before banks tap ESM.](#) *Reuters.com, 15 Sep 2012*
- [Portuguese and Spanish march as anger over tax hikes grows.](#) *Reuters.com, 15 Sep 2012*
- [Australia will control spending to return to surplus, Swan says.](#) *Bloomberg.com, 16 Sep 2012*
- [Homebuilding probably climbed with sales: US economy preview.](#) *Bloomberg.com, 16 Sep 2012*

## Weekly Review (for week ending 14 September 2012)

### ■ China's August trade surplus widens to US\$26.7 billion

China's trade surplus widened to US\$26.7 billion in August as exports remained weak and imports registered a surprise fall, data showed Monday, adding to expectations of a new round of stimulus measures. Exports increased 2.7% in August year-on-year to US\$178 billion, the General Administration of Customs said. Imports fell 2.6% to US\$151.3 billion. The single-digit growth in exports is in stark contrast to the government's goal of a gain of about 10% for 2012 made earlier this year, confirming a deepening slowdown in China's economy.

### ■ Moody's set to downgrade US without budget deal

Moody's says it would likely cut its "Aaa" rating on US government debt, probably by one notch, if federal budget negotiations fail. If the highly partisan Congress does not reach a budget deal, more than US\$600 billion in spending cuts and tax increases will kick in next year, a scenario that's been called the "fiscal cliff" because it is likely to send the US economy back into recession and drive unemployment up.

### ■ Germany gives ESM green light

Germany's top constitutional court allowed the country to ratify the €500 billion bailout fund with certain conditions. It rejected bids to block ratification of a permanent European Stability Mechanism, while ruling the country's 190 billion-euro contribution can't be increased without legislative approval. The legal challenge delayed efforts by Merkel and other euro-area policy makers to stem the region's debt crisis.

### ■ Economists cut Singapore growth outlook in MAS survey

According to the latest quarterly survey by the MAS, economists now expect the Singapore economy to grow at a slower pace of 2.4% from the 3% forecast polled in the June survey. The median forecast for Q3 GDP growth fell to 2.3%, from 3.3% in the June survey. Singapore's official forecast is for economic growth of 1.5%–2.5% this year. Inflation is expected to be slightly higher at 4.4% this year, up from 4.2% in the last survey, while the core inflation rate is projected at 2.5%, a slight dip from the last survey's 2.7%.

### ■ G20 economies slow, eurozone contracts in Q2: OECD

Economic growth in the top G20 countries slowed to 0.6% in Q2 from 0.7% in Q1, with slow and weak growth set to continue, the OECD said. The Chinese economy picked up but output in the eurozone, Japan and South Korea slowed sharply. Britain and Italy also showed shrinking output data. Some emerging economies showed resilient growth. The eurozone contracted 0.2% in Q2 from growth of 0.4%.

### ■ Fed delivers open-ended QE3, commitment to improve labour market

The Federal Reserve said it will expand its holdings of long-term securities with open-ended purchases of US\$40 billion of mortgage debt a month in a third round of quantitative easing as it seeks to boost growth and reduce unemployment. The FOMC also said it would probably hold the federal funds rate near zero "at least through mid-2015". Bernanke said the open-ended purchases would continue until the labour market improved significantly. Purchases of housing debt should help the housing market, which he called "one of the missing pistons in the engine". The Fed said it will continue its program to swap US\$667 billion of short-term debt with longer-term securities to lengthen the average maturity of its holdings, extending its Operation Twist.

### ■ Eurozone ready to give Greece time, but not extra money

The eurozone now accepts Greece will need more time to meet economic targets under its delayed bailout, but ministers maintained on Friday that there will be no "third aid programme" for the debt-racked country. A group of key Eurogroup finance ministers have now converged around a growing consensus to give Athens "more time" to deliver on its end of the second, 130-billion-euro bailout originally agreed in March, but "not extra money". Tensions on the financial markets have eased following the ECB's controversial plan to buy bonds of struggling states and Germany's highest court's move to clear the European firewall - the ESM - aimed at fighting the debt crisis.

### ■ Retail sales in US rose 0.9% in August on vehicles demand

Retail sales in the U.S. increased in August by the most in six months, boosted by demand for automobiles along with higher gasoline prices that left consumers with less to spend on other goods. The 0.9% gain followed a revised 0.6% advance in July that was smaller than initially reported, the Commerce Department said. The median forecast in a Bloomberg survey was for an increase of 0.8%. Sales slowed at department stores, apparel retailers and electronics outlets. Purchases at automobile dealers increased 1.3%. Cars and light trucks sold at a 14.5 million annual rate in August, the industry's strongest month since 2009, compared with a 14.1 million pace in July.

### ■ US Consumer Price Index rose in August most since 2009

The cost of living in the US climbed in August by the most in more than three years, reflecting a surge in fuel costs. The 0.6% increase in the CPI was the biggest since June 2009 and followed no change in the previous month. The core index, which excludes volatile food and fuel costs, climbed a less-than-expected 0.1% for a second month. Economists had forecast a 0.2% increase in the core index.

## Market Snapshot

Selected Equity Indices	Last (Sep 14)	1-week return	Year-to-date return
Dow Jones Industrial Average	13,593.37	2.15%	11.26%
S&P 500 Index	1,465.77	1.94%	16.55%
FTSE 100 Index	5,915.55	2.08%	6.16%
Euro Stoxx 50	2,594.56	2.20%	12.00%
Nikkei 225	9,159.39	3.24%	8.33%
Hang Seng Index	20,629.78	4.18%	11.91%
Shanghai SE Composite	2,123.85	-0.18%	-3.44%
BSE Sensex Index	18,464.27	4.41%	19.47%
Straits Times Index	3,070.42	1.95%	16.02%

Source: Bloomberg

## Week Ahead

Economic Calendar (Selected Events)				
Mon, Sep 17	Tue, Sep 18	Wed, Sep 19	Thu, Sep 20	Fri, Sep 21
Empire State Mfg Survey	Treasury International Capital	<i>Housing Starts</i>	<i>Jobless Claims</i>	
	Housing Market Index	<i>Existing Home Sales</i>	<i>Philadelphia Fed Survey</i>	
		EIA Petroleum Status Report		

Red: Market moving indicator

Black: Merits extra attention

Source: Bloomberg



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