

Headlines

- [HSBC PMI activity slide raises China Q3 growth risk](#). *Reuters.com, 29 Sep 2012*
- [UK's Labour Party to impose "real" bank split if elected: Miliband](#). *Reuters.com, 30 Sep 2012*
- [Spain to borrow €207.2 billion of debt amid rescue pressure](#). *Bloomberg.com, 30 Sep 2012*
- [Jobless rate probably climbed in September: US economy preview](#). *Bloomberg.com, 30 Sep 2012*

Weekly Review (for week ending 28 September 2012)

■ Singapore August inflation at near two-year low

After averaging around 5.2% y/y since January 2011, Singapore's latest headline inflation for August, at 3.9% y/y (0.6% m/m), continued the first sharp drop seen in July (4.0% y/y). Core inflation, which excludes private road transport costs and accommodation, inched lower to reach 2.2% y/y, the lowest in almost a year. MAS forecast for core inflation remained at 2.5%-3.0% for the whole year, while that of headline inflation was 4.0%-4.5% y/y. The MAS noted that headline inflation is expected to rise this month, largely due to a "surge" in the cost of COEs last month. August's result was helped by slowing on-year increase in accommodation inflation to 7.4% from 7.8% in July.

■ Merkel warns against hasty banking union

Chancellor Angela Merkel warned on Tuesday the eurozone should not rush headlong into a banking union, amid signs Germany is being sucked into the abyss and fresh worries over Greece and Spain. Speaking at a conference in Berlin, Merkel rebuffed demands, notably from the European Commission and France, to create as soon as possible an EU bank supervisor which would eventually come to the aid of struggling banks. A fresh crack in European unity has emerged, as Germany sees a thorough approach as more important than haste whereas French President Francois Hollande said at the weekend it should happen "the earlier the better".

■ US consumer confidence surges to 7-month high

Americans' confidence in the economy jumped this month to the highest level since February, bolstered by a brighter outlook for overall business conditions and hiring. The Conference Board said Tuesday that its Consumer Confidence Index rose to 70.3 in September, up from an upwardly revised 61.3 in August. It's the highest reading since February, when employers added 259,000 jobs and many thought the recovery was strengthening. The survey is watched closely because consumer spending drives nearly 70% of economic activity in the US. The reading is still below 90, a level that indicates a healthy economy. The index hasn't been that high since December 2007.

■ Singapore industrial production slumps unexpectedly, raising recession fears

Singapore's August industrial production fell 2.2% y/y (-2.3% m/m SA), from a revised growth of 2.5% y/y in July, dragged down by slumping demand for its key exports of electronics, the Economic Development Board said on Wednesday. This marked the first on-year decline in the manufacturing sector since April this year, and worse than market expectations of a growth of 1.0% y/y. Taken together with the earlier-released NODX decline of 10.6% y/y in the same month (which was the first decline seen since March this year), this raises risks of a technical recession when Q3 GDP data is released next month. Manufacturing accounts for about 25% of Singapore's GDP.

■ Eurozone business confidence at 3-year low

The outlook for Europe's economy darkened with eurozone business confidence falling to a three-year low and a range of economic indicators across the continent pointing towards recession. The EC's monthly economic sentiment survey showed the index for the 17 countries sharing the euro falling to 85 points in September from 86.1 in August. Its business climate indicator for the euro area, which points to the phase of the economic cycle, fell to -1.34 points in September from -1.18 in August, reaching the lowest since October 2009.

■ UK economy shrinks less than expected while incomes rise

The British economy shrank less than previously estimated in the second quarter and disposable incomes rose the most since 2009, boding well for the prospects of a recovery. GDP fell 0.4% instead of the 0.5% drop estimated last month, thanks to upward revisions to construction and industrial production. Real household disposable income rose 1.9%, the biggest jump for three years. Business investment rose 0.9% against estimated fall of 1.5%. Consumer spending fell 0.2%, revised from a previously estimated 0.4 drop.

■ US economy expands less than forecast in Q2

The economy in the US grew less than previously forecast in Q2, reflecting slower gains in consumer spending and farm inventories. The world's largest economy expanded at a 1.3% (*q/q saar*) pace in Q2 after growing at a 2% rate in Q1. The previous estimate was for 1.7%.

■ US jobless claims fall 26,000 to 359,000

Applications for US unemployment benefits dropped 26,000 to a seasonally adjusted 359,000 in the week ended September 22, the lowest level since late July against expectations for a fall to 375,000. The weekly number reflected little improvement in the jobs market, where the unemployment rate has held above 8.0% since last October. The four-week moving average fell by 4,500 to 374,000 claims.

■ Energy fuels euro inflation but ECB rate cut still on

Eurozone inflation accelerated in September as energy costs soared but core prices stayed low, likely leaving the ECB on track to cut interest rates soon. Consumer prices in the 17 countries sharing the euro rose 2.7% year-on-year in a first estimate that marked a rise from 2.6% in August. Core inflation, excluding both energy and unprocessed foods, fell to its lowest level in a year of 1.7% in August.

Market Snapshot

Selected Equity Indices	Last (Sep 28)	1-week return	Year-to-date return
Dow Jones Industrial Average	13,437.13	-1.05%	9.98%
S&P 500 Index	1,440.67	-1.33%	14.56%
FTSE 100 Index	5,742.07	-1.89%	3.05%
Euro Stoxx 50	2,454.26	-4.77%	5.94%
Nikkei 225	8,870.16	-2.63%	4.91%
Hang Seng Index	20,840.38	0.51%	13.05%
Shanghai SE Composite	2,086.17	2.93%	-5.15%
BSE Sensex Index	18,762.74	0.05%	21.40%
Straits Times Index	3,060.34	-0.58%	15.64%

Source: Bloomberg

Week Ahead

Economic Calendar (Selected Events)				
Mon, Oct 1	Tue, Oct 2	Wed, Oct 3	Thu, Oct 4	Fri, Oct 5
<i>ISM Mfg Index</i>		ADP Employment Report	<i>Jobless Claims</i>	<i>Employment Situation</i>
Construction Spending		ISM Non-Mfg Index	Factory Orders	
		EIA Petroleum Status Report		

Red: Market moving indicator

Black: Merits extra attention

Source: Bloomberg



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