

## Headlines

- [China central bank chief wary of QE3 inflation risk](#). *Reuters.com*, 13 Oct 2012
- [Euro zone mulls new ways to cut Greek debt mountain](#). *Reuters.com*, 14 Oct 2012
- [ECB says euro-area banking supervision may not start until 2014](#). *Bloomberg.com*, 13 Oct 2012
- [Bernanke says easing won't destabilize emerging markets](#). *Bloomberg.com*, 14 Oct 2012

## Weekly Review (for week ending 12 October 2012)

### ■ World Bank cuts East Asia GDP outlook, flags China risks

The World Bank cut its economic growth forecasts for the East Asia and Pacific region and said there was a risk the slowdown in China could get worse and last longer than expected. "China's slowdown this year has been significant, and some fear it could still accelerate", the World Bank said in its latest East Asia and Pacific Data Monitor. China's economy will likely expand by 7.7% this year, down from a May estimate of 8.2%, while the forecast for 2013 was cut to 8.1% from an earlier 8.6%. For the region as a whole, the World Bank now expects developing East Asia to grow by 7.2% this year and 7.6% in 2013, down from earlier estimates of 7.6% and 8.0%, respectively.

### ■ China home prices rise for 4th month in September

Average home prices in China's 100 big cities edged up for a fourth straight month in September, reinforcing signs of a mild recovery as the government seeks to boost growth while avoiding a real estate bubble. Average home prices rose 0.17% to 8,753 RMB/m<sup>2</sup> in September, down from August's increase of 0.24% mth/mth. Property prices rose after the PBOC cut interest rates twice in June and July to restore momentum to the economy. Home prices are still down 1.4% y/y in September, the sixth month of y/y declines since June 2011.

### ■ Singapore moves closer to getting RMB clearing bank

Singapore has issued full banking licences to two Chinese banks, moving it a step closer to getting an RMB clearing bank that will let it compete more aggressively with Hong Kong in the growing market for RMB denominated trades and financial products. The Singapore branches of **Bank of China** and **Industrial and Commercial Bank of China** have commenced operations with qualifying full bank (QFB) privileges with effect from October 5, the MAS said Wednesday. The competition to become a major centre for offshore RMB transactions has intensified over the past year as China shows an increasing willingness to loosen capital controls and promotes the use of its currency for trade settlement. Besides Singapore, London is also keen to get a bigger slice of the RMB business.

### ■ Dynasty REIT plans \$1 billion dual-currency IPO; RMB hits strongest level in 19 years

Dynasty REIT, backed by HK billionaire Li Ka Shing, is set to raise as much as \$1.054 billion in a dual-currency listing as Singapore's first RMB denominated IPO. When the REIT is listed, its units will have two trading counters, a primary one in RMB and a secondary one in Singapore dollars. The RMB pushed past 6.28 per US dollar for the first time in 19 years, re-igniting hopes that it is back on an appreciation track as China seeks to deflect criticism from the US over its allegedly undervalued currency.

### ■ European banks may have to sell US\$4.5 trillion in assets

The IMF said European banks may need to sell US\$4.5 trillion in assets through next year, up 18% from its April estimate of US\$3.8 trillion, if policy-makers fall short of pledges to stem the fiscal crisis. It said failure to implement fiscal tightening or set up a single supervisory system in the timing agreed could force 58 EU banks, from UniCredit to Deutsche Bank, to shrink assets. That would hurt credit and crimp growth by 4% points next year in Europe's periphery - Greece, Cyprus, Ireland, Italy, Portugal and Spain. The IMF said that "both Spain and Italy have suffered large-scale capital outflows" in the 12 months through June, with US\$296 billion and US\$235 billion, respectively.

### ■ S&P cuts Spain credit rating 2 notches to "BBB-", near junk

S&P on Wednesday cut Spain's sovereign credit rating to BBB-minus, just above junk territory, citing a deepening economic recession that is limiting the government's policy options to arrest the slide. The S&P downgrade comes with a negative outlook reflecting the credit ratings agency's view that there are significant risks to economic growth and budgetary performance, plus a lack of clear direction in euro zone policies. The S&P downgrade brings it in line with Moody's "Baa3" rating. Moody's has Spain on review for a possible downgrade.

### ■ US trade deficit widens to US\$44.2 billion in August

The US trade deficit widened in August to US\$44.2 billion as exports fell to the lowest level in six months, a worrisome sign that a slowing global economy is cutting into demand for US goods. The deficit is a 4.1% increase from July, the Commerce Department said Thursday.

### ■ US jobless claims fall to 339,000; fewest since February 2008

The number of Americans seeking unemployment aid fell last week to 339,000, the lowest level in 4 years. The sharp drop offered a hopeful sign that the job market could pick up. When applications consistently drop below 375,000, it suggests that hiring is strong enough to lower the unemployment rate. The four-week average, a less volatile measure, dropped by 11,500 to 364,000, hitting a six-month low.

### ■ Singapore's Q3 GDP falls 1.5% on-quarter, technical recession avoided

Singapore's economy grew by 1.3% y/y in Q3 of 2012, compared to an upwardly revised 2.3% y/y growth in the previous quarter. On a quarter-on-quarter basis, the economy contracted by 1.5% largely due to a fall in electronics output, a reversal from a growth of 0.2% in Q2 which was upwardly revised from preliminary estimates of -0.7% q/q. With that, Singapore has avoided a technical recession yet again.

## Market Snapshot

Selected Equity Indices	Last (Oct 12)	1-week return	Year-to-date return
Dow Jones Industrial Average	13,328.85	-2.07%	9.10%
S&P 500 Index	1,428.59	-2.21%	13.60%
FTSE 100 Index	5,793.32	-1.32%	3.97%
Euro Stoxx 50	2,469.09	-2.45%	6.58%
Nikkei 225	8,534.12	-3.71%	0.93%
Hang Seng Index	21,136.43	0.59%	14.66%
Shanghai SE Composite	2,104.93	0.90%	-4.30%
BSE Sensex Index	18,675.18	-1.39%	20.84%
Straits Times Index	3,041.75	-2.13%	14.94%

Source: Bloomberg

## Week Ahead

Economic Calendar (Selected Events)				
Mon, Oct 15	Tue, Oct 16	Wed, Oct 17	Thu, Oct 18	Fri, Oct 19
<i>Retail Sales</i>	<i>Consumer Price Index</i>	<i>Housing Starts</i>	<i>Jobless Claims</i>	<i>Existing Home Sales</i>
Empire State Mfg Survey	Treasury International Capital	EIA Petroleum Status Report	<i>Philadelphia Fed Survey</i>	
Business Inventories	<i>Industrial Production</i>			
	Housing Market Index			

Red: Market moving indicator

Black: Merits extra attention

Source: Bloomberg



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