

Headlines

- [Europe and China don't need a trade war: EU trade chief](#). *Reuters.com, 21 Oct 2012*
- [ECB policymaker Knot backs German call for EU budget commissioner](#). *Reuters.com, 21 Oct 2012*
- [Consumer spending probably lifted growth: US economy preview](#). *Bloomberg.com, 21 Oct 2012*
- [Australia to announce cuts at budget review Monday, Swan says](#). *Bloomberg.com, 21 Oct 2012*

Weekly Review (for week ending 19 October 2012)

■ China CPI inflation eases to 1.9% in September

China's CPI inflation was close to the slowest pace in two years in September, giving the government room to ease policies should the economy deteriorate. Consumer prices rose 1.9% from a year earlier while the producer-price index (PPI) dropped 3.6%, the NBS said Monday. China's imports increased 2.4% from a year earlier while overseas shipments climbed 9.9%. Analysts believe that inflation could easily rebound in the fourth quarter, as food prices are expected to pick up and inflation in housing and household goods remain strong.

■ Singapore retail sales rebound in August, up 3.2%

Retail sales in Singapore bounced back in August, rising 3.2% from the same month a year ago, according to the Department of Statistics. Excluding motor vehicles, retail sales were up 2.7% in August. When comparing month on month (seasonally adjusted), retail sales edged up 0.9% in August versus July, and were 0.4% higher month on month when sales of motor vehicles were excluded. Meanwhile, sales of F&B services climbed 6% year on year in August and rose 1.4% (seasonally adjusted) compared to July. Of the various F&B categories, food caterers recorded the highest rate of growth in August, registering an 8.2% jump in sales from August last year.

■ US retail sales increase 1.1% in September

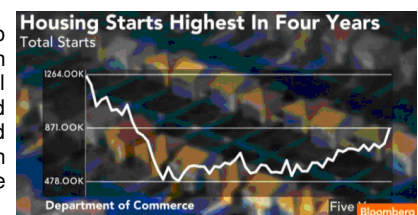
US retail sales rose in September as Americans bought more of everything from cars to petrol and electronics, pointing to stronger-than-expected economic growth in Q3. Retail sales increased 1.1% in September, beating expectations, after an upwardly revised 1.2% rise in August. Core retail sales, after excluding both automobiles and gasoline, were still up 0.9% in September, with a 0.2% revision in August. Sales at electronics retailers were up 4.5%, with some analysts saying the data reflected strong sales of Apple's newest iPhone 5 model.

■ Sharp fall in Singapore September NODX could hit Q3 GDP estimates

Singapore's NODX declined 3.4% y/y in September, continuing the decline of 10.7% y/y recorded in August, and surprising the market which was expecting a 1.2% y/y rebound. The decline was due to a larger contraction in electronic NODX which outweighed the rise in non-electronic NODX. The September contraction pulled the 3-month moving average NODX y/y number down to -3.1% from the +0.1% y/y registered a month ago. On a m/m seasonally adjusted basis, NODX rose 1.6%, an improvement over the 9.1% decline in August.

■ US housing starts jump 15% to four-year high

Housing starts in the US surged 15% in September to the highest level in four years, adding to signs of a revival in the industry at the heart of the financial crisis. Beginning home construction jumped last month to an 872,000 annual rate, the fastest since July 2008 and exceeding all forecasts in a Bloomberg survey of economists. Commerce Department figures showed Wednesday. The September **building permits** also increased by a higher than expected 11.6% m/m to 894,000 units after a surprise 1.2% decline in August to 801,000. The increase in building permits may mean the gains will be sustained. The jump in US housing starts show the US economy is gaining strength after growth slowed to a 1.3% annual pace in Q3.



■ China Q3 GDP up 7.4%, slowest since Q1 2009

China's economy grew 7.4% in Q3 from a year earlier, the National Bureau of Statistics said on Thursday, the slowest pace Q1 of 2009 as the global financial crisis raged. It marked the seventh consecutive quarter of slower growth and compared with an annual growth of 7.6% in Q2. After a series of meetings with corporate executives, local government officials, and academics from October 12-15, Chinese Premier WenJiabao is said to be confident that the government will meet its growth target of 7.5% in 2012, according to Xinhua.

■ Germany raises new hurdles on EU bank union

German Chancellor Angela Merkel raised new hurdles on Friday to using the eurozone's rescue fund to inject capital directly into ailing banks from next year, dashing Spain's hopes of soon removing the cost from its strained national debt. She made clear that would not lead to the bloc's ESM rescue fund taking over liability from member states such as Spain for past bank rescues, and she posed extra conditions to ensure there will be no capital injections before next September's German elections. Despite Merkel's comments, eurozone officials said they were exploring the possibility of sharing the cost of dealing with "legacy" toxic bank assets between the ESM and host governments, a crucial step to break to so-called "doom loop" between sovereigns and banks.

■ Existing US home sales decline as supply drops

Sales of previously owned homes decreased in September from the highest level in two years, restrained by a lack of supply that may keep pushing prices up. Purchases fell 1.7% to a 4.75 million annual rate, but increased by 11% from a year ago. The median price from a year earlier jumped by the most since November 2005 as inventories dwindled, climbing to US\$183,900, up 11.3% from September 2011.

Market Snapshot

Selected Equity Indices	Last (Oct 19)	1-week return	Year-to-date return
Dow Jones Industrial Average	13,343.51	0.11%	9.22%
S&P 500 Index	1,433.19	0.32%	13.96%
FTSE 100 Index	5,896.15	1.77%	5.81%
Euro Stoxx 50	2,542.24	2.96%	9.74%
Nikkei 225	9,002.68	5.49%	6.47%
Hang Seng Index	21,551.76	1.96%	16.91%
Shanghai SE Composite	2,128.30	1.11%	-3.23%
BSE Sensex Index	18,682.31	0.04%	20.88%
Straits Times Index	3,048.92	0.24%	15.21%

Source: Bloomberg

Week Ahead

Economic Calendar (Selected Events)				
Mon, Oct 22	Tue, Oct 23	Wed, Oct 24	Thu, Oct 25	Fri, Oct 26
		<i>New Home Sales</i>	<i>Durable Goods Orders</i>	<i>GDP</i>
		EIA Petroleum Status Report	<i>Jobless Claims</i>	Consumer Sentiment
		<i>FOMC Meeting Announcement</i>	Pending Home Sales Index	

Red: Market moving indicator

Black: Merits extra attention

Source: Bloomberg



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