

## Headlines

- [Berlusconi threatens to bring down Monti government](#). *Reuters.com, 27 Oct 2012*
- [Australia aims to lift Asia trade to one third of GDP by 2025](#). *Reuters.com, 28 Oct 2012*
- [China's economy to rebound in 4th quarter: Finance Ministry](#). *Bloomberg.com, 27 Oct 2012*
- [Jobless rate probably climbed in October amid lax hiring](#). *Bloomberg.com, 28 Oct 2012*

## Weekly Review (for week ending 26 October 2012)

### ■ Japan reports worst September trade figures in 30 years

Japan posted its worst September trade figures in more than 30 years, official data showed on Monday, as the global slowdown and a territorial dispute with China weighed on the world's third-largest economy. Shipments to China, which is Japan's biggest trading partner, tumbled 14.1% as demand dropped for Japan-branded products including industrial machinery and cars, while a broader economic slowdown in China factored into the weak figures. Weaker shipments to the US market also dug into the latest results, which showed a monthly trade deficit of 558.6 billion yen (\$8.5 billion), reversing a year-earlier surplus of 288.8 billion yen as exports fell 10.3% on year.

### ■ German growth to slow in Q4: finance ministry

The German economy will see a sharp slowdown in growth at the end of the year, the finance ministry wrote in its monthly report published Monday. Germany has so far held up to Europe's long-running sovereign debt crisis much better than its eurozone neighbours. While many eurozone countries slipped into recession, Germany notched up growth of 0.5% in Q1 and 0.3% in Q2. "In the third quarter, the economy is likely to have expanded again," the ministry said, without providing any concrete forecast, but "in the final quarter of 2012, growth is likely to slow substantially as economic weakness in a number of eurozone countries puts the brakes on growth."

### ■ Eurozone's combined debt surged to record last year, led by Greece

The euro region's combined debt burden surged last year to the highest since the start of the euro in 1999 as governments struggled to fill budget gaps and contain the fiscal crisis. The debt of the 17 nations using the euro climbed to 87.3% of GDP in 2011 from 85.4% in 2010, the EU's statistics office said. Greece topped the list with debt at 170.6% of GDP, followed by Italy and Portugal at 120.7% and 108.1%. The EU's debt-to-GDP limit is 60%. 14 of the 27 EU member states exceeded the bloc's debt limit last year. The euro area's total budget deficit narrowed to 4.1% of GDP in 2011 from 6.2% in 2010 as nations toughened austerity measures to contain the sovereign-debt crisis.

### ■ Singapore September inflation rises to 4.7%, way above forecasts

Singapore's inflation rate accelerated last month, driven again by housing and transport costs. The CPI inflation in September rose 4.7% from the same month a year ago, up from 3.9% in August, which was the lowest rate in almost two years. The MAS said the pick-up in September was anticipated given the surge in COE prices the previous month. COE premiums rose 40% on-year to a record average high of S\$83,600, pushing private transport costs up 10.8% year-on-year following a 6.3% increase in August. Housing cost inflation in September jumped by 7.7% from a year earlier, compared with 7.4% in August. Food price inflation eased slightly to 2.1%, down from a 2.3% increase in August. Core inflation, which excludes private road transport costs and accommodation, also rose slightly to reach 2.4% year-on-year. MAS expects headline inflation to come in slightly above 4.5% for the year, and core inflation to average 2.5% for the year.

### ■ Chinese HSBC Flash Manufacturing PMI at 3-month high, economy ticks up

China's manufacturers saw growth shrink for a 12th successive month in October, but output at a three-month high and the most robust order books since April signal a strengthening recovery. Preliminary results of the China HSBC Flash Manufacturing PMI rose to a three-month high of 49.1 in October, as official data last week showed GDP growth fell below target in Q3, despite signs of strength in September. The uptick in the headline index, along with rises in new orders and output and broad improvement in export orders, inventories and prices charged, all signal a turnaround in the economy. Exports were worth 31% of GDP in 2011, according to the World Bank, and supported an estimated 200 million Chinese jobs.

### ■ US new home sales rise in September

Sales of new US homes rose 5.7% in September from August. This was 27% higher than a year ago, as the housing market shows steady improvement more than six years after prices collapsed from a huge bubble, sending the US into recession. Sales of new single family houses climbed to an annual rate of 389,000, following August's downwardly revised pace of 368,000. New home prices continued to surge in September as inventory of new housing stock slipped to a lean 4.5-month supply, down from 4.7 months in August.

### ■ US FOMC: uneventful with no changes to QE3 stimulus programme

The October FOMC was uneventful as the Fed continues to assess the impact of QE3, ahead of the US Presidential elections on 6-Nov. The Fed kept to its assessment that the economy is growing moderately but warned of significant downside risk although it was silent on the issue of the fiscal cliff. It will continue with Operation Twist till the year end and maintain the low-interest rates till mid-2015.

### ■ US Q3 GDP grows at 2% rate, more than forecast

The US economy expanded more than forecast in Q3, paced by a pickup in consumer spending, a rebound in government outlays and gains in residential construction. GDP rose at a 2% annual rate versus a forecast of 1.8% after climbing 1.3% in Q2. Residential construction increased at a 14.4% rate, up from an 8.5% gain in Q2. The pickup in homebuilding added 0.3% to the Q3 GDP.

## Market Snapshot

Selected Equity Indices	Last (Oct 26)	1-week return	Year-to-date return
Dow Jones Industrial Average	13,107.21	-1.77%	7.28%
S&P 500 Index	1,411.94	-1.48%	12.27%
FTSE 100 Index	5,806.71	-1.52%	4.21%
Euro Stoxx 50	2,496.10	-1.81%	7.75%
Nikkei 225	8,933.06	-0.77%	5.65%
Hang Seng Index	21,545.57	-0.03%	16.88%
Shanghai SE Composite	2,066.21	-2.92%	-6.06%
BSE Sensex Index	18,625.34	-0.30%	20.51%
Straits Times Index	3,057.51	0.28%	15.54%

Source: Bloomberg

## Week Ahead

Economic Calendar (Selected Events)				
Mon, Oct 29	Tue, Oct 30	Wed, Oct 31	Thu, Nov 1	Fri, Nov 2
<i>Personal Income and Outlays</i>	S&P Case-Shiller HPI	ADP Employment Report	Motor Vehicle Sales	<i>Employment Situation</i>
Dallas Fed Mfg Survey	Consumer Confidence	Employment Cost Index	<i>Jobless Claims</i>	Factory Orders
		Chicago PMI	Productivity and Costs	
		EIA Petroleum Status Report	<i>ISM Mfg Index</i>	
			Construction Spending	

Red: Market moving indicator

Black: Merits extra attention

Source: Bloomberg



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