

## Headlines

- [China economic growth to exceed 7.5% in 2012: NDRC](#). *Reuters.com*, 10 Nov 2012
- [China wealth fund eyes Asia as Western protectionism rises](#). *Reuters.com*, 11 Nov 2012
- [US fiscal cliff threatens world economy, Australia's Swan says](#). *Bloomberg.com*, 11 Nov 2012
- [Retail sales probably dropped in October: US economy preview](#). *Bloomberg.com*, 11 Nov 2012

## Weekly Review (for week ending 09 November 2012)

### ■ Singapore PMI falls for fourth straight month in October

Factory activity in Singapore shrank for a fourth consecutive month in October while the rest of the region, particularly China, Taiwan and South Korea, showed signs that it was rebounding from the slump. Singapore's PMI fell from 48.7 in September to 48.3 in October, below market consensus of 49.5, showing a further decline in new orders, new export orders and production output. In particular, the electronics sector recorded further declines in October, with the electronics index registering a 2.5 point drop over the previous month to reach 47.5.

### ■ Indonesia growth tops 6% as investment rises

Indonesia's economic growth held above 6% for an eighth quarter as domestic consumption and rising investment countered an export slump, reducing the need for the central bank to cut interest rates. GDP rose 6.17% in Q3 from a year earlier, compared with a 6.37% gain in Q2, the Central Bureau of Statistics said Monday. As expected, Bank Indonesia kept the reference rate at a record-low 5.75% on November 8, unchanged for a ninth straight meeting. The central bank has no room to add stimulus to the economy due to a weakening currency and increasing core inflation. The Indonesian Rupiah has fallen more than 6% this year, the biggest decline among 11 most-traded Asian currencies. Indonesia's consumer prices climbed 4.61% in October from a year earlier, pushing inflation to a 13-month high.

### ■ Fed's Williams says bond buying may exceed US\$600 billion in QE3

Federal Reserve Bank of San Francisco President John Williams said the central bank may buy more than US\$600 billion in bonds by extending its third round of quantitative easing well into next year. Williams, referring to his August 31 comment that the Fed should purchase US\$600 billion in bonds in a third round of asset purchases, said "it should be at least that big but I would think it would probably be bigger given my view on how slow the economy is going. It's going to take a long time for unemployment to come down and growth to really pick up". While the unconventional easing poses some risks of inflation, policy makers don't see signs of unstable prices, he said.

### ■ Obama victory turns market attention to US "fiscal cliff"

US President Obama returns to Washington on Wednesday emboldened by his re-election but facing the daunting task of breaking down partisan gridlock in a bitterly divided Congress. The big question at the start of Obama's second term is this: will the Republicans blink on the looming "fiscal cliff" and strike a deal that will avert a catastrophic economic crunch forced by mandatory budget cuts? The "fiscal cliff" -- a combination of dramatic spending cuts and tax increases -- is set to take effect January 1 if US lawmakers cannot cut a deal on the deficit by the end of the year. The tax increases include: tax cuts enacted during the George W. Bush era for high earners expiring at year-end, increase income tax rate to 39.6% from 35%, increase long-term capital gains to 23.8%, and shrink exemptions from estate-and-gift taxes. Spending cuts of US\$109 billion in 2013 will be split evenly between defense and domestic spending. Overall, the cliff is estimated to be at the size of US\$600bn and could shave off as much as 4%-5% of growth in 2013, driving the US economy back into recession.

### ■ Greece defies protests to approve austerity package

Greek lawmakers on Wednesday approved huge cutbacks creditors had demanded to unlock aid of €31.5 billion needed to save the country from bankruptcy despite fierce political and popular opposition to more belt-tightening. The bill for budgets cuts amounting to €18.5 billion won a narrow majority even as thousands of anti-austerity protestors massed around parliament in Athens. The EC had forecast that Greece would come out of recession in 2014 with growth of 0.6% after having shrunk by about a fifth since the economic crisis broke.

### ■ China banks face soaring bad loans in 2012

China's top banks may see their bad loan ratios triple in size by the end of 2012 as the effects of economic slowdown are felt, likely spurring the repackaging and sale of impaired assets. Orient Asset Management Corp, one of four firms charged with cleaning up bad debts at China's banks, said bad debts could soar in the steel, ship building and solar sectors as well as among exporters, local governments and property developers. The average NPLs for Chinese banks, now under 1%, could rise to between 1%-2% year-end.

### ■ China inflation slows to 3-year low; exports exceed estimates in sign of global pickup

China's inflation rate slipped to a three-year low in October leaving the authorities with room to take more steps to boost its recovery. The CPI rose 1.7% year-on-year, compared with an increase of 1.9% in September, its sixth month of slowing inflation. Exports rose more than estimated in October, adding to signs the economy will rebound this quarter after industrial output climbed at the fastest pace in five months. Exports increased 11.6% from a year earlier and its trade surplus was US\$32 billion, up from US\$27.7 billion in September.

### ■ EU 2013 budget talks break down

The first round in two weeks of tough talks on the EU budget collapsed Friday after austerity-minded states refused to plug a 2012 budget shortfall in funds of €8.9 billion destined for Europe's needy. The talks will resume on Tuesday. If there is no agreement on the 2013 budget, the EU would base its spending for next year on the 2012 programme, rolled over on a monthly basis.

## Market Snapshot

Selected Equity Indices	Last (Nov 9)	1-week return	Year-to-date return
Dow Jones Industrial Average	12,815.39	-2.12%	4.89%
S&P 500 Index	1,379.85	-2.43%	9.72%
FTSE 100 Index	5,769.68	-1.68%	3.54%
Euro Stoxx 50	2,479.82	-2.64%	7.05%
Nikkei 225	8,757.60	-3.24%	3.57%
Hang Seng Index	21,384.38	-3.29%	16.00%
Shanghai SE Composite	2,069.07	-2.27%	-5.93%
BSE Sensex Index	18,683.68	-0.38%	20.89%
Straits Times Index	3,009.56	-1.03%	13.72%

Source: Bloomberg

## Week Ahead

Economic Calendar (Selected Events)				
Mon, Nov 12	Tue, Nov 13	Wed, Nov 14	Thu, Nov 15	Fri, Nov 16
<b>US Holiday: Veteran's Day Observed</b>	Treasury Budget	<i>Producer Price Index</i>	<i>Consumer Price Index</i>	Treasury International Capital
		<i>Retail Sales</i>	<i>Jobless Claims</i>	<i>Industrial Production</i>
		Business Inventories	Empire State Mfg Survey	
		<i>FOMC Minutes</i>	<i>Philadelphia Fed Survey</i>	
			EIA Petroleum Status Report	

Red: Market moving indicator

Black: Merits extra attention

Source: Bloomberg



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