

## Headlines

- [China November factory output jumps to eight-month high](#). *Reuters.com, 09 Dec 2012*
- [Investors offer about €30 billion in Greek debt buyback](#). *Reuters.com, 08 Dec 2012*
- [Monti plans to resign as Berlusconi seeks return to power](#). *Bloomberg.com, 09 Dec 2012*
- [Retail sales in US probably rose on automobile demand](#). *Bloomberg.com, 09 Dec 2012*

## Weekly Review (for week ending 07 December 2012)

### ■ November PMI shows rising China growth

The final reading for the HSBC PMI rose to 50.5 in November from 49.5 in October, in line with a preliminary survey published late last month. It was the first time since October 2011 that the survey crossed above 50 points, the line that demarcates accelerating from slowing growth. The final HSBC reading follows a similar survey by the National Bureau of Statistics, which showed the pace of growth in the manufacturing sector quickening. The official PMI rose to a seven-month high of 50.6 for November, from 50.2 in October.

### ■ US manufacturing unexpectedly shrinks in November

Manufacturing in the US unexpectedly contracted in November, reflecting weaker business demand, slower exports and disruptions from superstorm Sandy. The ISM factory index decreased to 49.5 last month, the lowest since July 2009, from 51.7 in October. Less corporate investment in equipment as US lawmakers debate the nation's budget, weaker orders from overseas and disturbances related to the biggest Atlantic storm in history are converging to slow manufacturing. Construction spending climbed almost three times more than forecast in October, reflecting broadbased gains that signal the industry is poised to make a bigger contribution to economic growth. Construction spending increased 9.3% in the 12 months ended in October before adjustments for seasonal variations.

### ■ Technical recession looms as Singapore manufacturing shrinks

Singapore's manufacturing sector contracted in November from the previous month, supporting the view that the economy may slip into a mild technical recession in the fourth quarter. This is according to the latest PMI, which improved slightly to 48.8 in November from October's 48.3 but still signalling a contracting manufacturing economy. This stands in contrast to a recent string of positive economic news from Asia – China's PMIs are in expansion, Japan posted better-than-expected industrial production growth and South Korea reported surprising export growth. But new orders, new export orders and production output all shrank at a slower pace.

### ■ Australia's Q3 growth slowest in 1½ years, tougher times ahead

Australia's Q3 economy grew at the slowest pace in 1½ years as government cutbacks offset a burst of business investment, while lower export revenues and a cresting mining boom point to tougher times ahead. Growth for Q3 came in at a sluggish 0.5%, seasonally adjusted, down from 0.6% in the June quarter. The annual pace of economic growth (year to September) also slowed to 3.1%, down from 3.7% in the June quarter. Australia's terms of trade – the price the nation receives for its exports, relative to the cost of its imports – slipped 4% in the September quarter, as commodity prices fell. The RBA had cut interest rates on Tuesday by 0.25% to 3%, bringing it to their equal lowest point since RBA began independently setting interest rates and targeting inflation in the early 1990s.

### ■ Eurozone retail sales slump in October

Retail sales across the 17-nation EU slumped in October, putting new pressure on the ECB to cut borrowing rates this week. Eurostat, the EU's statistics office, said Wednesday that eurozone retail sales fell 1.2% in October from the previous month, double September's decline and substantially more than the 0.2% drop analysts expected, adding further evidence that households remain gloomy over the economy.

### ■ US productivity rises at fastest pace since 2010

US non-farm productivity increased at a much faster pace than initially thought in Q3 as businesses held the line on hiring even as output surged, with unit labour costs falling at their fastest pace in almost a year. Productivity increased at a 2.9% annual rate, the fastest since Q3 of 2010, the Labour Department said. It had estimated that productivity, which measures hourly output per worker, rose 1.9% in Q3.

### ■ ECB holds rates, downgrades 2013 outlook

The eurozone economy is likely to shrink next year as it has in 2012, the ECB predicted Thursday, sharply downgrading its outlook after holding interest rates at a record low 0.75%, although keeping the door open to more interest rates cuts, even as it insisted it was up to governments to solve the debt crisis. According to the updated forecasts, the eurozone economy is set to shrink by 0.5% in 2012 rather than by 0.4% predicted earlier. And it would shrink again by 0.3% in 2013, instead of growing by 0.5%. Only in 2014 would the economy grow again, by an estimated 1.2%. The ECB will also continue to supply eurozone banks with all the liquidity they ask for in the central bank's refinancing operations at least until July 2013, Mr Draghi said.

### ■ US jobless claims drop to 370k; November payrolls up 146k, unemployment rate shrinks to 7.7%

Initial jobless claims sank by 25k to a seasonally adjusted 370k in the week ended 1-Dec, from an upwardly revised 395k in the prior week, the Labour Department said Thursday. Claims have still not fallen all the way back to pre-Sandy levels in the low 360k. On Friday, data revealed that the labour market withstood the impact of superstorm Sandy as job growth exceeded forecasts in November and the unemployment rate declined to 7.7%, the lowest since Dec-2008. Employment climbed by 146k following a revised 138k increase in October. The improvement bodes well for the holiday season and indicates shoppers will keep up spending that makes up 70% of GDP.

## Market Snapshot

Selected Equity Indices	Last (Dec 7)	1-week return	Year-to-date return
Dow Jones Industrial Average	13,155.13	0.99%	7.67%
S&P 500 Index	1,418.07	0.13%	12.76%
FTSE 100 Index	5,914.40	0.81%	6.14%
Euro Stoxx 50	2,601.37	1.01%	12.30%
Nikkei 225	9,527.39	0.86%	12.68%
Hang Seng Index	22,191.17	0.73%	20.38%
Shanghai SE Composite	2,061.79	4.12%	-6.26%
BSE Sensex Index	19,424.10	0.44%	25.68%
Straits Times Index	3,107.11	1.21%	17.41%

Source: Bloomberg

## Week Ahead

Economic Calendar (Selected Events)				
Mon, Dec 10	Tue, Dec 11	Wed, Dec 12	Thu, Dec 13	Fri, Dec 14
	<i>International Trade</i>	Import and Export Prices	<i>Jobless Claims</i>	<i>Consumer Price Index</i>
		EIA Petroleum Status Report	<i>Producer Price Index</i>	<i>Industrial Production</i>
		<i>FOMC Meeting Announcement</i>	<i>Retail Sales</i>	
		<i>FOMC Forecasts</i>	Business Inventories	
		Treasury Budget		
		<i>Chairman Press Conference</i>		

Red: Market moving indicator

Black: Merits extra attention

Source: Bloomberg



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