

## Headlines

- [World Bank president expects China to hit GDP growth target but warns of tapering risk](#). *Reuters.com, 15 Sep 2013*
- [US, Russia agree on Syria weapons, Obama says force still option](#). *Reuters.com, 15 Sep 2013*
- [Fed's taper start seen as non-event in poll of investors](#). *Bloomberg.com, 13 Sep 2013*
- [Existing-home sales probably declined: US Economy Preview](#). *Bloomberg.com, 15 Sep 2013*

## Weekly Review (for week ending 13 September 2013)

### ■ China August CPI up 2.6% y-o-y, PPI down 1.6%

China's consumer inflation stayed below its 3.5% target for an eighth month while factory-gate prices fell by the least in six months. China's annual consumer inflation (CPI) rose 2.6% in August, in line with market expectations and little changed from the previous month's 2.7% rise. The NBS also said that China's producer prices fell 1.6% in August from a year earlier, compared with a fall of 2.3% in July.

### ■ Japan Q2 GDP revised up sharply, boosts case for tax hike

Japan's economy expanded much faster than initially expected in Q2, adding to growing signs a solid recovery is taking hold and heightening the case for Prime Minister Shinzo Abe to proceed with a planned sales tax hike next year. A marked improvement in capital expenditure led to an upward revision in Q2 GDP to an annualised 3.8% expansion from a preliminary 2.6%. It was the 3rd straight quarter of increase following a 4.1% growth in Q1. On a *qtr-on-qtr* basis, GDP growth was revised up to a 0.9% increase from a preliminary 0.6%.

### ■ China's August industrial output growth hits 17-month high

China's industrial production rose 10.4% in August year-on-year, the NBS said Tuesday, its fastest increase for more than a year in another positive sign for the world's second-largest economy. Over the first eight months of the year, output was up 9.5% on the same period in 2012. Retail sales, a key indicator of consumer spending, rose 13.4% year-on-year in August, and higher than expectations of 13.2%. The statistic was up 12.8% in the first eight months of the year, the NBS added. Fixed asset investment, a measure of government spending on infrastructure, increased 20.3% in the first eight months of the year, a fraction ahead of expectations of 20.2%.

### ■ Transaction tax plan is illegal, says EU lawyers

A plan to tax financial transactions in 11 EU states from 2014 is illegal, the EU lawyers have concluded, dealing what could be a final blow to the measure as proposed. The opinion is not binding and Germany which backs the tax aimed at making banks pay governments about €35 billion a year after receiving taxpayer aid during the 2007-09 financial crisis, said it still wants swift introduction of the levy. Britain and 15 other EU states refused to support the transaction tax proposal raising questions about how it would work with only some states participating. The tax would also be an "obstacle" to the free movement of capital and services within the single market, breaching two tenets of the EU's founding treaty. But EU Tax Commissioner Algirdas Semeta, who drafted the plan, strongly disagrees with the opinion.

### ■ Obama puts off Syria strikes amid talks on Russia plan

President Barack Obama pulled the US from the brink of a military strike on Syria to pursue a possible diplomatic solution to the confrontation over the Assad regime's use of chemical weapons, which Russia plans to under international supervision. Obama said he's ordered the military to stand ready "to keep the pressure on Assad and to be in position to respond if diplomacy fails".

### ■ Indonesia stuns with rate hike to stem rupiah slide

Bank Indonesia (BI) unexpectedly raised its key interest rate for the fourth time since early June to support a weakening currency which has lost 15% this year and cool inflation expectations. Governor Agus Martowardojo increased the reference rate by 0.25% to 7.25%, the highest in more than four years. BI also raised the deposit facility rate to 5.5% from 5.25%. Inflation may reach 9.2% by the end of 2013.

### ■ Japan to consider corporate tax cut in stimulus package

Japan is considering a reduction in corporate taxes as part of a planned package to cushion the economy from raising the national sales levy, Economy Minister Akira Amari said. Lowering income taxes is another option, while a lower priority. PM Shinzo Abe instructed officials to compile a plan by the end of September to counter the blow from a scheduled 3% bump in the consumption tax in April, to 8%. Japan's corporate-tax rate of 35.6% includes local and national components and compares with 25% in China and 17% in Singapore.

### ■ US producer prices rise, but inflation pressures benign

US producer prices rose in August as energy costs rebounded, but underlying inflation remained tame. The Labour Department said on Friday its seasonally adjusted producer price index increased 0.3% last month. Wholesale prices had been flat in July. In the 12 months through August, wholesale prices rose 1.4% after advancing 2.1% in July; the so-called core PPI increased 1.1% after rising 1.2% in July.

### ■ US retail sales edge higher in August, at slower than expected pace

US retail sales edged higher in August at a weaker than expected pace, led by auto and home furnishing sales, official data released Friday showed. Retail sales, which reflects a key component of consumer spending that is the bulwark of the US economy, rose 0.2% in August from July, the Commerce Department said. The increase was half the 0.4% rise expected by analysts. But the department revised upward the July reading to 0.4% from an initial estimate of 0.2%. Excluding sales of motor vehicles and equipment, retail sales rose a mere 0.1% in August, a marked slowdown from the revised 0.6% gain in July. Total retail sales in August were up 4.7% year-over-year.

## Market Snapshot

Selected Equity Indices	Last (Sep 13)	1-week return	Year-to-date return
Dow Jones Industrial Average	15,376.06	3.04%	17.34%
S&P 500 Index	1,687.99	1.98%	18.36%
FTSE 100 Index	6,583.80	0.56%	11.63%
Euro Stoxx 50	2,867.11	2.27%	8.77%
Nikkei 225	14,404.67	3.92%	38.57%
Hang Seng Index	22,915.28	1.30%	1.14%
Shanghai SE Composite	2,236.22	4.50%	-1.45%
BSE Sensex Index	19,732.76	2.40%	1.58%
Straits Times Index	3,120.30	2.36%	-1.48%

Source: Bloomberg

## Week Ahead

Economic Calendar (Selected Events)				
Mon, Sep 16	Tue, Sep 17	Wed, Sep 18	Thu, Sep 19	Fri, Sep 20
Empire State Mfg Survey	<i>Consumer Price Index</i>	<i>Housing Starts</i>	<i>Jobless Claims</i>	
<i>Industrial Production</i>	Treasury International Capital	EIA Petroleum Status Report	<i>Existing Home Sales</i>	
	Housing Market Index	<i>FOMC Meeting Announcement</i>	<i>Philadelphia Fed Survey</i>	
		<i>FOMC Forecasts</i>		
		<i>Chairman Press Conference</i>		

Red: Market moving indicator

Black: Merits extra attention

Source: Bloomberg



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