

## Headlines

- [China to adjust loan-to-deposit ratios for banks in Shanghai free trade zone](#). *Reuters.com, 29 Sep 2013*
- [House Republicans defy Obama on funding bill; government shutdown nears](#). *Reuters.com, 29 Sep 2013*
- [Cameron accelerates Help-to-Buy plan amid housing-boom concerns](#). *Bloomberg.com, 29 Sep 2013*
- [Employers probably stepped up hiring: US Economy Preview](#). *Bloomberg.com, 29 Sep 2013*

## Weekly Review (for week ending 27 September 2013)

### ■ HSBC flash China manufacturing PMI at 51.2 for September, a 6-month high

A Chinese manufacturing index rose to a six-month high in September, signalling that a rebound in the world's second-largest economy is gaining steam. The HSBC flash reading of 51.2 for PMI compared with a 50.9 median estimate from Bloomberg News. The gauge was at 50.1 in August. The HSBC report increases in output, new orders, export orders and prices, while employment fell at a slower rate.

### ■ Singapore's monetary policy may stay tight as inflation picks up for fourth month

Singapore's inflation quickened for a fourth consecutive month in August as the labour market remained tight, reinforcing the widespread view the central bank will keep a tightening bias on monetary policy at its next review in October. The CPI in August rose 2.0% from a year earlier, the MTI said on Monday, picking up from July's increase of 1.9% and in line with economists' forecast. Core inflation, which excludes car and housing costs, was at 1.8% in August from a year earlier, higher than the median estimate of 1.6%.

### ■ German consumer sentiment hits highest level in 6 years

German consumer confidence rose to its highest level in six years heading into October, supporting expectations strong consumer spending will help Europe's largest economy to post moderate growth in 2013. GfK market research group said its forward-looking consumer sentiment indicator rose to 7.1 going into October from an upwardly revised 7.0 the previous month. The original September figure was 6.9. The strengthening data chimed with other recent releases suggesting gradual but steady growth for the end of the year.

### ■ UK consumer confidence rises as job security strengthens

UK consumer confidence rose in September as the recovery strengthened and households became less concerned about job security, the CEBR said. The group's gauge of sentiment increased to 108.1 from 106.7 in August. Its measure of job security was at 91.1, up from 87.3 at the start of the year. "The present recovery is now broader based than the false dawn we saw in 2010," said CEBR.

### ■ US new home sales jump 7.9% in August but hold near lowest levels of 2013

Americans stepped up purchases of new homes in August after cutting back in July, suggesting that higher mortgage rates may not be slowing the housing recovery. The Commerce Department says sales of new homes increase 7.9% to a seasonally adjusted annual rate of 421,000. That comes after sales plunged 14.1% in July to a 390,000 annual rate. New-homes sales were 12.6% higher in August than a year ago. The pace remains well below the 700,000 consistent with a healthy market. The median price for a new home sale in August fell to US\$254,600, down every month since May, although is still up slightly from August 2012. The inventory of new homes for sale increased by 3.6% in August from July, leaving the stock of unsold new homes at its highest level since March 2011.

### ■ UK economy grew 0.7% in Q2, fastest pace in 3 years

Britain's economy grew 0.7%, at its fastest pace in three years in Q2 from Q1, ONS said Thursday. Compared with the same period last year, Britain's economic growth was 1.3%, revised down from a previous reading. The ONS revised down quarterly growth in Q3 and Q4 of 2012 and said full-year growth last year stood at 0.1%, down from an earlier estimate of 0.2%. Growth in Q1 of 2013 was revised up to 0.4% from 0.3%. The pace of quarterly economic growth is widely expected to have gathered further speed in Q3, possibly to around 1%.

### ■ Singapore manufacturing output far short of expectations; possible contraction in Q3 GDP growth

Although Singapore's industrial production (IP) grew 3.5% y/y (-1.4% m/m SA) in August, it came in lower than consensus estimates for a stronger 4.9% y/y expansion. Excluding biomedical manufacturing, IP grew 4.8% y/y (-1.4% m/m SA). However, possible risks to Singapore's own semiconductor demand may come from the weaker US Semi Book-to-Bill ratio (August = 0.98), which fell below parity for the first time since it reached above parity at the start of this year. Citibank economists, in fact, say that "available data up to August continue to point towards a Q3 GDP sequential decline, (with a contraction) possibly in the region of 4.5% to 5.0%.

### ■ US Q2 GDP remains at 2.5%, misses expectations

The third and final reading of Q2 GDP growth from the US Bureau of Economic Analysis showed the economy grew at a 2.5% annualised pace, in line with its previous estimate, but economists were expecting a final reading of 2.6%. In Q1, the economy expanded only 1.1% annualised. Consumer spending which accounts for about 70% of the economy climbed 1.8% in Q2, down from Q1's 2.3% pace of growth.

### ■ Japan's core inflation hits 5 year-high, wage gains needed to decisively end deflation

Japan's core consumer inflation in August hit its highest level in nearly five years, while prices of personal electronics rose for the first time since 1992 - signs Japan may be emerging from 15 years of nagging deflation. Core consumer prices, which include oil products but exclude volatile prices of fresh food, rose 0.8% in August from a year earlier after a 0.7% increase in July, marking the third straight month of gains. But most of the increase was caused by rising fuel costs and a weaker yen that inflated the price of food imports.

## Market Snapshot

| Selected Equity Indices      | Last (Sep 27) | 1-week return | Year-to-date return |
|------------------------------|---------------|---------------|---------------------|
| Dow Jones Industrial Average | 15,258.24     | -1.25%        | 16.44%              |
| S&P 500 Index                | 1,691.75      | -1.06%        | 18.62%              |
| FTSE 100 Index               | 6,512.66      | -1.27%        | 10.43%              |
| Euro Stoxx 50                | 2,919.34      | -0.27%        | 10.75%              |
| Nikkei 225                   | 14,760.07     | 0.12%         | 41.99%              |
| Hang Seng Index              | 23,207.04     | -1.26%        | 2.43%               |
| Shanghai SE Composite        | 2,160.03      | -1.45%        | -4.81%              |
| BSE Sensex Index             | 19,727.27     | -2.65%        | 1.55%               |
| Straits Times Index          | 3,210.18      | -0.84%        | 1.36%               |

Source: Bloomberg

## Week Ahead

| Economic Calendar (Selected Events) |                         |                             |                       |                             |
|-------------------------------------|-------------------------|-----------------------------|-----------------------|-----------------------------|
| Mon, Sep 30                         | Tue, Oct 1              | Wed, Oct 2                  | Thu, Oct 3            | Fri, Oct 4                  |
| Chicago PMI                         | PMI Manufacturing Index | ADP Employment Report       | <i>Jobless Claims</i> | <i>Employment Situation</i> |
| Dallas Fed Mfg Survey               | <i>ISM Mfg Index</i>    | EIA Petroleum Status Report | Factory Orders        |                             |
|                                     | Construction Spending   |                             | ISM Non-Mfg Index     |                             |

Red: Market moving indicator

Black: Merits extra attention

Source: Bloomberg



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