

Headlines

- [Obama says expects Congress will raise debt ceiling before deadline.](#) *Reuters.com, 05 Oct 2013*
- [GE sees 10%-15% infrastructure growth in emerging markets.](#) *Reuters.com, 06 Oct 2013*
- [House passes retroactive pay bill for furloughed workers.](#) *Bloomberg.com, 06 Oct 2013*
- [APEC sees growth risks as Moody's says outlook challenging.](#) *Bloomberg.com, 06 Oct 2013*

Weekly Review (for week ending 04 October 2013)

■ HSBC's China PMI for September lower than flash estimate

HSBC's final China PMI for September came in at 50.2, substantially lower than the flash reading of 51.2 published a week ago. It was a touch higher than the August figure of 50.1. Though the index expanded for a second consecutive month after hitting an 11-month low last July, many analysts have warned that the much-trumpeted rebound might not continue into next year as China still needs to reform major sectors of the economy and move to a more sustainable growth model. Despite a pick-up in exports orders pointing to a recovery in China's main export markets, the US and Europe, domestic demand remained unchanged last month, the index showed.

■ Japan's August factory output falls 0.7%

Japan's factory output slipped more than expected in August but the government says production is picking up at a moderate pace. Tepid export and consumer demand at home weighed on industrial production in August, with output falling by 0.7% from July. The drop, reversing a 3.4% rise in July, is one of the last pieces of economic data that Tokyo will be able to study before Premier Shinzo Abe issues his long-awaited decision on whether to raise the sales tax levy, a move some fear will derail Japan's fledgling economic recovery.

■ Germany's retail sales gain 0.5% in August

German retail sales rose in August, indicating that a recovery in Europe's largest economy is gathering pace. Sales adjusted for inflation and seasonal swings increased 0.5% from July, when they fell a revised 0.2%. Economists predicted an increase of 0.8%, according to Bloomberg News. Sales advanced 0.3% from a year earlier. The Bundesbank said last week that Germany's economy is being boosted by an "extraordinarily good" consumer climate. Economic growth of 0.7% in the second quarter and a jobless rate near a two-decade low helped propel Chancellor Angela Merkel's Christian Democrats to win September 22 elections, setting her up for a third term as leader.

■ Italian banks face capital risk amid low profitability: IMF

Italian banks' capital buffers risk being depleted due to poor asset quality and weak profitability should an economic recession persist, the IMF said. Twenty of Italy's banks, which account for about one-third of its banking industry, will see their Basel III core capital measures slide by as much as €14 billion below a key global benchmark in 2015 should an economic recession continue into 2014. Banks in the euro region's third-largest economy are struggling to improve asset quality and profitability as the longest recession in more than 20 years makes it harder for businesses and households to repay loans. Italy's economy may contract 1.7% this year, after shrinking 2.4% in 2012.

■ Japan raises sales tax to 8% next April

Japanese Prime Minister Shinzo Abe took what many see as the biggest gamble of his political career by giving the go-ahead for a hike in Japan's controversial consumption tax from its current level of 5% to 8% with effect from next April. He deferred a decision, however, on whether or not to commit his government to further increasing the national sales tax to 10% in October 2015, as provided for in legislation passed last year and designed to help pull government finances out of a threatened downward spiral. Mr Abe softened the blow of the first tax hike since 1997 by announcing a 5 trillion yen (\$64 billion) economic stimulus package - matching the size of the money that the tax raise will take out of the economy in a full year plus one trillion yen in corporate tax cuts and cash benefits for low-income earners.

■ US government begins partial shutdown

The US federal government officially shut down partially for the first time since 1996 after Congress failed to reach a compromise on the budget. Even as most stock traders shrugged their shoulders, economists warned that a prolonged shutdown would rattle confidence and drain much-needed spending from the economy. Investors viewed the shutdown as likely to be temporary. The Democrats and Republicans failed to meet an October 1 deadline for appropriations and for the new provisions of the health law to take effect. As a result, more than a quarter of the government's nearly 3 million employees will be sent home on "furloughs" - unpaid, indefinite periods of leave.

■ Eurozone retail sales much stronger than expected in August

Retail sales in the eurozone rose much more than expected in August, helped by demand for fuel, food, clothes and computers, and were revised up for July as well, in a fresh sign that households could help sustain the bloc's nascent recovery. The volume of retail trade in the 17-nation bloc jumped 0.7% on the month, following a revised 0.5% increase in July. The monthly rise in August was driven by a 0.9% jump in sales of car fuels and 0.6% in non-food products, with Spain (+3.8% m/m) and Portugal (+4.8% m/m) being the star contributors.

■ US employment situation report not published due to Government shutdown

The US Bureau of Labour Statistics, which typically issues the employment report on the first Friday of each month at 8:30 a.m., said "due to the lapse in funding, the Employment Situation release which provides data on employment during the month of September will not be issued as scheduled on Friday. An alternative release date has not been scheduled." Employers probably added 180,000 workers to payrolls in September, the biggest gain in five months, according to a Bloomberg survey. The jobless rate was forecast to hold at 7.3%.

Market Snapshot

Selected Equity Indices	Last (Oct 4)	1-week return	Year-to-date return
Dow Jones Industrial Average	15,072.58	-1.22%	15.02%
S&P 500 Index	1,690.50	-0.07%	18.53%
FTSE 100 Index	6,453.88	-0.90%	9.43%
Euro Stoxx 50	2,928.31	0.31%	11.09%
Nikkei 225	14,024.31	-4.98%	34.91%
Hang Seng Index	23,138.54	-0.30%	2.13%
Shanghai SE Composite	2,174.66	0.68%	-4.16%
BSE Sensex Index	19,915.95	0.96%	2.52%
Straits Times Index	3,138.08	-2.25%	-0.92%

Source: Bloomberg

Week Ahead

Economic Calendar (Selected Events)				
Mon, Oct 7	Tue, Oct 8	Wed, Oct 9	Thu, Oct 10	Fri, Oct 11
	<i>International Trade</i>	EIA Petroleum Status Report	<i>Jobless Claims</i>	<i>Producer Price Index</i>
		<i>FOMC Minutes</i>	Import and Export Prices	<i>Retail Sales</i>
				Consumer Sentiment
				Business Inventories

Red: Market moving indicator

Black: Merits extra attention

Source: Bloomberg



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