

Headlines

- [China's September export growth in surprise slide](#). *Reuters.com*, 12 Oct 2013
- [Spanish banks fear new capital hit in European review](#). *Reuters.com*, 13 Oct 2013
- [Germany sees global risk shift to emerging economies](#). *Bloomberg.com*, 13 Oct 2013
- [Fiscal impasse widens as deal focus turns to US Senate](#). *Bloomberg.com*, 13 Oct 2013

Weekly Review (for week ending 11 October 2013)

■ Singapore's Q3 GDP expected to contract: Economists

Economists are expecting a sequential GDP contraction in Q3, attributing this to Singapore's weak export and manufacturing performance after Singapore reported a strong 15.5% quarter-on-quarter growth in Q2. The Ministry of Trade and Industry will release advance estimates of its Q3 GDP figures on October 14. The government is expecting full-year GDP growth to come in at between 2.5% and 3.5%.

■ IMF cuts global outlook, warns of US default threat

The IMF cut its global outlook for this year and next as capital outflows further weaken emerging markets and warned that a US government default could "seriously damage" the world economy. Growth worldwide will be 2.9% this year and 3.6% next year, the IMF said, compared with July predictions of 3.1% for 2013 and 3.8% for 2014. It sees emerging economies growing 4.5% this year, 0.5% less than three months ago, as projections were reduced for China, Mexico, India and Russia. The IMF's forecasts factor in a short US government shutdown and an agreement on the nation's debt-limit before an October 17 deadline. A stalemate that causes a default "could seriously damage the global economy," the IMF said. Its forecasts assume the Fed won't raise its benchmark interest rate, which has been near zero since December 2008, before 2016 and that the Fed will start tapering its bond-buying program later this year.

■ Japan's current account surplus tumbles in August

Japan's current account contracted much more than expected in August from a year earlier as its massive trade deficit outweighed returns from investments abroad. The surplus in the current account fell 63.7% on-year to ¥161.5 billion (\$2 billion) before seasonal adjustment, the MOF said. That was much narrower than the ¥540 billion surplus average forecast from economists. The narrower current account balance came as a surprise due to an unexpected drop in the surplus in the income balance, which fell 10% on-year to ¥1.25 trillion, on a decline in profits from direct investment. That was the first time in nine months the surplus in the income balance narrowed on-year.

■ Obama names Janet Yellen as new Federal Reserve chief to take over from Bernanke

US President Barack Obama has announced Janet Yellen as his nomination for the new head of the Federal Reserve. If confirmed by Congress, Janet Yellen will take over the running of the US central bank. It will be the first time in the bank's 100-year history that a woman has become its chairperson. The 67-year-old is a respected economist and will replace Ben Bernanke who steps down in January. Her appointment is expected to provide continuity with the policies established by her predecessor.

■ FOMC minutes show worries of fiscal fights

Most Federal Reserve policy makers said the central bank was likely to reduce the pace of its bond purchases this year, even as they unexpectedly refrained from such a move in September, minutes of FOMC meeting on September 17-18 show. The FOMC, acting before the October 1 partial government shutdown, held off tapering US\$85-billion in monthly bond purchases and indicated that budget cuts and an increase in borrowing costs were drags on the expansion. Policy makers wanted to see more evidence of steady growth to combat 7.3% unemployment, they said in a statement. A number of officials, "pointed to heightened uncertainty about the course of federal fiscal policy over coming months, including the potential for a government shutdown or strains related to the debt ceiling debate."

■ Li sees China growth topping 7.5% in first nine months

Premier Li Keqiang said China's economic growth probably exceeded 7.5% in the first nine months of the year, a sign the government will next week report success in arresting a two-quarter slowdown. The economy has "shown stronger momentum of steady growth" in the past few months, with indicators that reflect market expectations such as the PMI improving, Li said at the ASEAN summit in Brunei. China previously reported expansion of 7.6% in the first half and Li's government introduced measures including faster railway spending and tax cuts to defend a 7.5% goal for the full year. The NBS reports Q3 growth on October 18, with analysts forecasting a 7.8% pace.

■ US jobless claims at six-month high but trend improving

The number of Americans filing new claims for jobless aid touched a six-month high last week as a computer-related backlog of claims was processed and a partial US government shutdown began to hit some non-federal workers. Initial claims for state unemployment benefits increased 66,000 to a seasonally adjusted 374,000, the highest level since the end of March. But stripping out these two factors, which are temporary, claims rose to about 325,000 last week which suggest the labour market continued to improve moderately.

■ IMF's Lagarde warns against a US debt default

IMF chief Christine Lagarde, speaking at a news conference on the sidelines of the IMF / World Bank annual meetings, warned that a US debt default could damage the global economy, as Washington remained gridlocked in a budget battle. The IMF has been studying the potential impact of a US default on the global economy, including how it could affect financial and trade flows and cause setbacks to economically weak countries. Lagarde said "I hope that in a few weeks time, we will look back and say, what a waste of time that was."

Market Snapshot

Selected Equity Indices	Last (Oct 11)	1-week return	Year-to-date return
Dow Jones Industrial Average	15,237.11	1.09%	16.28%
S&P 500 Index	1,703.20	0.75%	19.42%
FTSE 100 Index	6,487.19	0.52%	9.99%
Euro Stoxx 50	2,974.28	1.57%	12.84%
Nikkei 225	14,404.74	2.71%	38.57%
Hang Seng Index	23,218.32	0.34%	2.48%
Shanghai SE Composite	2,228.15	2.46%	-1.81%
BSE Sensex Index	20,528.59	3.08%	5.67%
Straits Times Index	3,179.71	1.33%	0.40%

Source: Bloomberg

Week Ahead

Economic Calendar (Selected Events)				
Mon, Oct 14	Tue, Oct 15	Wed, Oct 16	Thu, Oct 17	Fri, Oct 18
US Holiday: Columbus Day	Empire State Mfg Survey	<i>Consumer Price Index</i>	<i>Housing Starts</i>	
		Treasury International Capital	<i>Jobless Claims</i>	
		Housing Market Index	<i>Industrial Production</i>	
		Beige Book	<i>Philadelphia Fed Survey</i>	
			EIA Petroleum Status Report	

Red: Market moving indicator

Black: Merits extra attention

Source: Bloomberg



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