

Headlines

- [Draghi asked EU to keep state aid rules for banks flexible](#). *Reuters.com*, 19 Oct 2013
- [UK's Osborne says actively considering RBS "bad bank"](#) - *Daily Telegraph*. *Reuters.com*, 19 Oct 2013
- [Spain on right track after tackling labour laws, Gurria says](#). *Bloomberg.com*, 20 Oct 2013
- [Employers probably increased hiring: US Economy Preview](#). *Bloomberg.com*, 20 Oct 2013

Weekly Review (for week ending 18 October 2013)

■ Singapore Q3 GDP surprises on the upside; maintains monetary policy stance

Advance estimates of Q3 GDP came in at 5.1% y/y (-1.0% q/q SAAR), higher than consensus estimates of a smaller 3.8% y/y (-4.0 q/q SAAR) growth rate. Manufacturing growth (+4.5% y/y) was supported by better numbers coming from the electronics and transport engineering clusters, while the finance & insurance and wholesale & retail trade sectors contributed to robust services sector growth (+5.7% y/y). The Government had earlier upgraded 2013 GDP forecast from 1%-3% to 2.5%-3.5%, implying a stronger second half growth between 3.1% and 5%. The MAS believed that 2014 GDP growth is likely to be similar to this year's forecast and it will maintain a modest and gradual appreciation of the currency. Areas of inflationary pressures will likely come from the tighter labour market, COE premiums of commercial vehicles and business costs such as rentals. It expects core inflation and headline inflation to rise towards 2%-3% in 2014.

■ China inflation at 7-month high, limits room for easing despite export tumble

China's annual consumer inflation rate rose to a 7-month high of 3.1% in September as poor weather drove up food prices, limiting the scope for PBOC to manoeuvre to support the economy even as exports showed a surprise decline. Few analysts expect a further sharp rise in inflation as the economy still faces a weak global environment and China tries to tighten credit-fuelled investments. The inflation rate was higher than August's 2.6%, but below the official target of 3.5%. Month-on-month, consumer prices rose 0.8%, with food prices gaining 1.5% in September due to droughts and floods, pushing up the CPI by 0.51%. In annual terms, food prices jumped 6.1%.

■ Eurozone September inflation slips on weak economic recover

Inflation in the 17-nation eurozone fell as expected to 1.1% y/y last month to its lowest in 3½ years (0.8% in February 2010) as inflationary pressures continued to ease amid a weak economic recovery and shy domestic demand. Inflation was down from 1.3% in August and was well below the ECB's official target inflation rate of close to but below 2%. Prices rose 0.5% from August, as a 0.4% drop in costs of food, alcohol and tobacco products and a 0.9% decline in prices of services were offset by a 3.4% jump in prices of non-energy industrial goods.

■ Singapore September NODX contracted 1.2% due to continued poor performance from electronics

Singapore's September NODX contracted 1.2% y/y, a smaller amount compared to August (-6.8% y/y) and forecasts (-2.8% y/y). Although NODX had contracted for the 8th consecutive month, the rate of contraction seemed to have slowed. On a seasonally-adjusted basis, NODX expanded 5.7% in September. Again, the main drag on NODX came from the 14th consecutive month of contraction coming from electronics exports. In September, this segment declined 5.5% y/y (although it is better than the 9.2% y/y decline in August) largely due to poor performance from disk media product (-36.5%), parts of PCs (-15.0%), and telecommunication equipment (-38.6%).

■ US government re-opens after 11th-hour deal to end debt crisis

The Democratic-led Senate overwhelmingly approved a deal 81-18 on Wednesday to end a political crisis that partially shut down the government and brought the world's biggest economy to the edge of a debt default that threatened financial calamity after Republicans dropped their bid to link the spending measure to changes in President Barack Obama's healthcare law. The House of Representatives controlled by Republicans voted 285-144 to pass the bill which was signed by Obama after midnight. The deal, however, offers only a temporary fix and does not resolve the fundamental issues of spending and deficits that divide both parties. It funds the government until January 15 and raises the debt ceiling until February 7, so Americans face the possibility of another government shutdown early next year.

■ World Bank slashes India's growth forecast to 4.7%

The World Bank sharply lowered its forecast for India's economic growth to 4.7% from 6.1% for the 2013/14 fiscal year, citing a sharp slowdown in manufacturing and investment as well as negative business confidence, citing "high headline inflation, an elevated current account deficit, and rising pressure on fiscal balances from the depreciation of the rupee" as factors that impede the country's growth.

■ Funds expect equities to outperform bonds; prefers Europe to Asia and US

Global asset managers remain bullish on equities, but prefer Europe over the US, Asia and other emerging markets, according to a BoA survey of 235 traditional and hedge fund panellists with US\$643 billion of AUM, from October 4 to 10. Asia-Pacific fund managers "remain cemented in their overweight allocation towards North Asia (Korea, China and Taiwan) over Asean (Indonesia, Malaysia, Philippines and Thailand), while India and Australia remain out of favour. Equity allocations into Europe have risen to a six-year high. A net 46% of asset allocators are overweight European equities, up from a net 36% September, the highest reading since the stock market bubble of 2007.

■ China Q3 economic growth quickens to 7.8% y-o-y, suggesting the worst is behind

China's annual economic growth quickened to 7.8% in Q3 from 7.5% in Q2, the fastest growth this year and in line with expectations, official data showed on Friday. Many investors have been concerned about the fragility of China's economic revival, especially after a surprise fall in export growth in September. For the first nine months of the year, the economy grew 7.7% from a year earlier.

Market Snapshot

| Selected Equity Indices | Last (Oct 18) | 1-week return | Year-to-date return |
|------------------------------|---------------|---------------|---------------------|
| Dow Jones Industrial Average | 15,399.65 | 1.07% | 17.52% |
| S&P 500 Index | 1,744.50 | 2.42% | 22.32% |
| FTSE 100 Index | 6,622.58 | 2.09% | 12.29% |
| Euro Stoxx 50 | 3,033.31 | 1.98% | 15.08% |
| Nikkei 225 | 14,561.54 | 1.09% | 40.08% |
| Hang Seng Index | 23,340.10 | 0.52% | 3.02% |
| Shanghai SE Composite | 2,193.78 | -1.54% | -3.32% |
| BSE Sensex Index | 20,882.89 | 1.73% | 7.50% |
| Straits Times Index | 3,192.90 | 0.41% | 0.82% |

Source: Bloomberg

Week Ahead

| Economic Calendar (Selected Events) | | | | |
|-------------------------------------|-------------|-----------------------------|---|---|
| Mon, Oct 21 | Tue, Oct 22 | Wed, Oct 23 | Thu, Oct 24 | Fri, Oct 25 |
| <i>Existing Home Sales</i> | | EIA Petroleum Status Report | <i>Jobless Claims</i> PMI Manufacturing Index Flash <i>New Home Sales</i> | <i>Durable Goods Orders</i> Consumer Sentiment |

Red: Market moving indicator

Black: Merits extra attention

Source: Bloomberg



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