

Headlines

- [Fed to hold its fire this week, wants clearer economic view](#). *Reuters.com, 27 Oct 2013*
- [China September industrial profits up 18.4% year-on-year](#). *Reuters.com, 27 Oct 2013*
- [Australia's finances worsened since September election, Cormann says](#). *Bloomberg.com, 27 Oct 2013*
- [Retail sales probably slowed on auto slump: US Economy Preview](#). *Bloomberg.com, 27 Oct 2013*

Weekly Review (for week ending 25 October 2013)

■ Export slowdown adds to doubts for Japan's recovery

Japan's economy is "making steady progress towards achieving the Bank of Japan's 2% inflation target", BoJ governor Haruhiko Kuroda claimed, but a slowdown in September exports, amid signs that the boost from a weaker yen may be ending, is sparking concerns that the country's economic recovery is slowing. Exports rose 11.5% in September from a year earlier, falling short of market expectations of a 15.6% rise, as sales to Asia especially slowed. The positive effect of the weak yen may have run its course. Foreign portfolio investors have invested heavily in the Tokyo stock market, driving it up by 40% since Mr Abe came to power last year (accounting for much of the rise by their own buying) in expectation of rapid economic deregulation and reform. But these expectations could be disappointed.

■ US existing home sales down 1.9% in September

Americans bought fewer existing homes in September than the previous month, held back by higher mortgage rates and rising prices. The NAR said that sales of re-sold homes fell 1.9% last month to a seasonally adjusted annual rate of 5.29 million, down from a pace of 5.39 million in August. The sales pace in August equalled July's pace; both were the highest in four years and consistent with a healthy market.

■ China major cities home prices surge, raising bubble concerns

Home prices in China's four major cities jumped the most since January 2011, heightening concerns a bubble is forming as the government refrains from introducing more property curbs that would hinder economic growth. New home prices in September rose 20% in the southern business hubs of Shenzhen and Guangzhou, 17% in Shanghai and 16% in Beijing from a year earlier as prices climbed in 69 of the 70 cities the government tracks. Average new home prices in 70 major Chinese cities climbed 9.1% last month from a year ago, according to Reuters calculations. Property stocks fell in Shanghai on speculation Premier Li Keqiang will be forced to impose stricter policies to rein in prices and limit risks to the economy as his government strives to meet a 7.5% annual economic growth target.

■ Weak US jobs report fuels expectation that QE taper delayed till March 2014

The US September non-farm payrolls turned out to be weaker than projected as the economy added just 148,000 jobs (from a upwardly revised 193,000 in August) and well below the forecast pace of 180,000. Private payrolls was also a much weaker 126,000 (well short of the expected 180,000 new jobs and down from 161,000 in August). Despite the modest payrolls, the US unemployment rate managed to edge lower to 7.2% from 7.3% in August while the labour force participation rate remained unchanged at the 35-year low of 63.2%. The lackluster jobs report fuelled expectations that the Fed will continue its massive stimulus program until March 2014.

■ Singapore's inflation eases to 1.6% in September

After climbing four consecutive months, inflation in Singapore eased to 1.6% in September from 2% in August, largely due to a decline in the cost of private road transport. Private road transport costs fell by 2% after rising marginally by 0.1% in August. The correction in car prices was due to the high base seen a year ago; this more than offset the increase in petrol pump prices. Accommodation costs rose 3.9% in September, slightly lower than the 4.2% rise in August, and reflected a smaller increase in market rentals for both private and HDB properties. MAS core inflation rose 1.7% in September, compared to 1.8% in August, and is expected to rise over the next few quarters.

■ ECB to review 128 big eurozone banks

The ECB will put 128 big eurozone banks to a comprehensive assessment next year to rebuild confidence in the sector, aiming to unearth potential risks hidden in balance sheets and conclude its assessment before November 2014 when supervision will be centralised under it as part of a European banking union drawn up in response to a debt crisis exacerbated by massive bad property loans in countries like Ireland and Spain. Banks will be required to make up any capital shortfalls identified. A provisional list of banks to be reviewed includes 24 German banks, 16 in Spain, 15 in Italy, 13 in France, 7 in the Netherlands, 5 in Ireland and 4 each in Greece, Cyprus and Portugal.

■ HSBC China flash PMI hits 7-month high in October

The Markit/HSBC China flash PMI stood at 50.9 in October, above September's final reading of 50.2 and marking a seven-month high. 10 of 11 sub-indices rose. China's growth recovery is becoming consolidated into the fourth quarter following the bottoming out in the third quarter. This momentum is likely to continue in the coming months, creating favourable conditions for speeding up structural reforms. The flash PMI showed new export orders ticked up only marginally, suggesting a stabilisation in global demand but no solid rebound.

■ Consumer sentiment in US fell to 10-month low in October

Consumer sentiment in the US dropped in October to a 10-month low, showing the reopening of the federal government failed to reassure households. The final consumer sentiment index decreased to 73.2, the weakest this year, from 77.5 in September. The government's partial closing prompted Americans to turn more pessimistic about the economy. Disappointing gains in employment and the prospect of a protracted budget battle into 2014 raises the risk that consumer spending will cool as the holiday-shopping season approaches.

Market Snapshot

Selected Equity Indices	Last (Oct 25)	1-week return	Year-to-date return
Dow Jones Industrial Average	15,570.28	1.11%	18.82%
S&P 500 Index	1,759.77	0.88%	23.39%
FTSE 100 Index	6,721.34	1.49%	13.96%
Euro Stoxx 50	3,034.50	0.04%	15.12%
Nikkei 225	14,088.19	-3.25%	35.53%
Hang Seng Index	22,698.34	-2.75%	0.18%
Shanghai SE Composite	2,132.96	-2.77%	-6.00%
BSE Sensex Index	20,683.52	-0.95%	6.47%
Straits Times Index	3,205.24	0.39%	1.20%

Source: Bloomberg

Week Ahead

Economic Calendar (Selected Events)				
Mon, Oct 28	Tue, Oct 29	Wed, Oct 30	Thu, Oct 31	Fri, Nov 1
<i>Industrial Production</i>	<i>Producer Price Index</i>	ADP Employment Report	<i>Jobless Claims</i>	PMI Manufacturing Index
Pending Home Sales Index	S&P Case-Shiller HPI	<i>Consumer Price Index</i>	<i>Personal Income and Outlays</i>	<i>ISM Mfg Index</i>
Dallas Fed Mfg Survey	Consumer Confidence	<i>GDP</i>	Chicago PMI	Construction Spending
		EIA Petroleum Status Report		
		<i>FOMC Meeting Announcement</i>		

Red: Market moving indicator

Black: Merits extra attention

Source: Bloomberg



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