UOB 大華銀行

UOB WEALTH BANKING

UOB Personal Financial Services
Deposits, Investments & Insurance Strategy
Research & Product Advisory

Monday, 11 November 2013

Weekly Update

Headlines

- German political parties reach deal on banking union - sources. *Reuters.com, 09 Nov 2013*
- US seeks $864 million from Bank of America after fraud verdict. *Reuters.com, 09 Nov 2013*
- China inflation below target as leaders start reform summit. *Bloomberg.com, 09 Nov 2013*
- Fed still seen tapering in March even as job growth picks up. *Bloomberg.com, 09 Nov 2013*

Weekly Review (for week ending 08 November 2013)

Singapore's October PMI points to stronger Q4 growth

October's PMI, the first key economic data release for Q4, has set the Singapore economy on track for a better, though not worry-free, finish to the year. The latest PMI reading rose to 51.2 from 50.5 in September, the SIPMM said Tuesday, slightly better than market expectations for 51, and signalling a stronger-than-expected pick-up in manufacturing activity. This was the eighth consecutive month of expansion. The improvement was led by higher new orders, new export orders and production output. Similarly, the electronics sub-index rose 0.7 point to 51.0 in October from 50.3 in September. Overall, Singapore's October manufacturing PMI mirrored the improvements that we have seen in the other Asian countries. The stronger PMI reading suggests that growth momentum could strengthen in Q4.

Services industries in the US expanded faster than forecast in October

Service industries in the US surprised on the upside as it expanded at a faster pace in October with the ISM non-manufacturing index increased to 55.4 from 54.4 in September (and beating expectations of 54.0), suggesting that the biggest part of the US economy is brushing aside the political gridlock that partially shut down the federal government in October. For the US economy, we place more significance on the services sector than the manufacturing sector as services make up more than 80% of all economic activity in the US.

EU lowers eurozone growth outlook as debt crisis lingers

The EU trimmed its forecast for eurozone growth next year and raised its unemployment estimate as the economy struggled to regain momentum after a record-long recession. The EC cut GDP growth in the 17-nation eurozone to 1.1% in 2014, less than the 1.2% forecast in May. Unemployment, now at its highest rate since the euro was introduced, will be 12.2% in 2014, higher than the 12.1% predicted in May. The EC forecasts eurozone inflation to be 1.5% in 2014, slowing to 1.4% in 2015, adding pressure on the ECB to cut rates.

German factory orders beat estimates in September

German factory orders increased more than estimated in September in a sign that Europe's largest economy is benefiting from a recovery in the euro area and rising domestic investment. Orders, adjusted for seasonal swings and inflation, jumped 3.3% from August, when they fell 0.3%. According to the German economy ministry statement, the latest factory orders increase was due to a disproportionately large number of big-ticket orders. Orders advanced 7.9% from a year ago, when adjusted for the number of working days.

Indonesia growth slows as exports, consumption fall

Indonesia's GDP growth slowed to 5.6% y/y in Q3 from 5.8% y/y in Q2, the weakest pace since Q4 of 2009. The outcome was in line with market's and our forecast. The main drag came from higher imports which more than offset the contribution from stronger export growth. Meanwhile, private consumption demand and fixed investment held up despite the monetary tightening in Q3. Overall, we expect the economic growth to remain lack-luster in Q4 with full-year growth at 5.7% compared to 6.2% in 2012. Given slowing growth and peaking inflation, we expect that Bank Indonesia will keep its benchmark BI rate unchanged at 7.25% on 12 November.

ECB cuts rates to new low, ready to do more if needed

The ECB cut interest rates to a record low on Thursday and said it could take them lower still to prevent the eurozone's recovery from stalling as inflation tumbles. The ECB cut its main refinancing rate by 0.25% to 0.25%. It held the rate it pays on bank deposits at zero and cut its emergency borrowing rate to 0.75% from 1.00%. Draghi said the ECB still had room to act if needed; "we have a whole range of instruments to activate before reaching the lower bound ... in principle we could even cut further the interest rate." The 23-man Council had faced intense pressure to act after a shock slump in eurozone inflation to 0.7% in October, far below the ECB target of just under 2%.

US GDP rises 2.8% in Q3, sparking taper expectations

US GDP surprised on the upside after rising by 2.8% in Q3, causing some to factor in a pre-March tapering of quantitative easing. That's the largest increase in 1½ years and topped economists' estimate of a 2% rise, although economists have warned the surprise was largely a result of an inventory build-up among businesses in the period befpre the three-week US government shutdown in October. When the inventory build up is stripped out, underlying growth in Q3 equated to 2%, the Wall Street Journal reported. The figures also showed that US businesses cut back on spending on equipment and software in Q3 for the second time since the economic recovery began in 2009.

US employment data beats expectations; 204,000 jobs added in October

US employers added 204,000 jobs in October, an unexpected burst of hiring in a month when the government was partly shut down for 16 days. Employers added 45,000 more jobs in August and 15,000 more in September than the government had previously estimated. The Labour Department said unemployment rate rose to 7.3% from 7.2% in September because furloughed federal workers were temporarily counted as unemployed. Jobless claims decreased by 9,000 to 336,000 in the week ended November 2 from 345,000 the prior week. Companies may be feeling more confident as vehicle sales and housing maintain gains and manufacturing shows signs of accelerating.

Market Snapshot

Selected Equity Indices	Last (Nov 8)	1-week return	Year-to-date return
Dow Jones Industrial Average	15,761.78	0.94%	20.28%
S&P 500 Index	1,770.61	0.51%	24.15%
FTSE 100 Index	6,708.42	-0.39%	13.74%
Euro Stoxx 50	3,034.91	-0.56%	15.14%
Nikkei 225	14,086.80	-0.81%	35.51%
Hang Seng Index	22,744.39	-2.17%	0.39%
Shanghai SE Composite	2,106.13	-2.02%	-7.18%
BSE Sensex Index	20,666.15	-2.50%	6.38%
Straits Times Index	3,177.25	-0.75%	0.32%

Source: Bloomberg

Week Ahead

Economic Calendar (Selected Events)

Mon, Nov 11	Tue, Nov 12	Wed, Nov 13	Thu, Nov 14	Fri, Nov 15
US Holiday: Veteran's Day		Import and Export Prices Treasury Budget	*International Trade* *Jobless Claims* Productivity and Costs EIA Petroleum Status Report	Empire State Mfg Survey *Industrial Production*

Red: Market moving indicator
Black: Merits extra attention
Source: Bloomberg

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