

## Headlines

- [Yellen signals new emphasis on Fed policing role](#). *Reuters.com, 15 Nov 2013*
- [EU commissioner: Germany won't be sanctioned in surplus probe](#). *Reuters.com, 16 Nov 2013*
- [Factory output gain signals sustained US demand](#). *Bloomberg.com, 15 Nov 2013*
- [China leadership pledges expansion of economic freedoms](#). *Bloomberg.com, 16 Nov 2013*

## Weekly Review (for week ending 15 November 2013)

### ■ China October bank loans soften, social financing falls

China's new bank lending hit a 10-month low in October and a broad measure of liquidity moderated from the previous month, adding to evidence the central bank may be turning to a tightening stance. New yuan loans were below expectation at RMB 506.1 billion in October (expectations: RMB 580 billion) and was lower than RMB 787.0 billion in September. Aggregate financing was RMB 856.4 billion (expectations: RMB 1.1 trillion), down from RMB 1.4 trillion in September. However, M2 growth was slightly stronger-than-expected at 14.3% y/y in October (expectations: 14.2%), up from 14.2% in September. The data suggests that monetary policy has tightened in China.

### ■ ICBC joins the ranks of too-big-to-fail banks

The Industrial & Commercial Bank of China (ICBC) has been added to the list of too-big-to-fail banks as global regulators revised the roster of lenders that must hold extra capital to prevent another financial crisis. ICBC, China's largest bank by assets, was the only firm joining the updated list of systemically important firms released on Monday by the Financial Stability Board (FSB). Regulators are ranking financial firms by their potential to cause a global meltdown and demanding bigger financial cushions from them to avert any repeat of the 2008 credit freeze. While ICBC is the world's most profitable lender, bad loans are rising at China's top banks after a five-year credit spree. ICBC's capital surcharge is 1%, but it won't need to raise more capital because its ratios exceeded minimum regulatory requirements.

### ■ Japan consumer confidence down in October

Japan consumer confidence dropped the most in October since a record earthquake in 2011, showing the challenges Prime Minister Shinzo Abe faces in sustaining a recovery in the world's third biggest economy. A sentiment index unexpectedly fell 4.2 points to 41.2, below economists' forecasts for a reading of 45.5, with gauges of views of livelihoods, employment, and incomes declining, the Cabinet Office said Tuesday in Tokyo. A typhoon in mid-October around the time the survey was conducted may have lowered the consumer mood. Growth is forecast to slow to an annualised 1.7% in Q3 from 3.8% in Q2, according to a separate Bloomberg survey.

### ■ Eurozone industrial output turns lower, worse than expected

Eurozone industrial output, a key measure of manufacturing activity, turned lower in September, falling 0.5% from August when it rose 1.0%. Analysts had expected a 0.3% fall. But the output in year-on-year terms rose 1.1% in September after an upwardly revised 1.1% fall in August, showing its strongest jump in two years, although from a low base, because in September 2012 it fell 2.7%.

### ■ British recovery 'finally' takes hold; unemployment at lowest in 3 years

The BoE said on Wednesday that Britain's economic recovery "has finally taken hold" as it upgraded its growth forecasts. The British economy was expected to grow by about 1.6% this year, which marked an upgrade from the previous estimate of 1.4% that was given in August. It also lifted its prediction for 2014 growth to 2.8% from 2.5% previously. Britain's unemployment rate fell to 7.6% in the July-September period, its lowest level in more than three years, down from 7.7% in the June-August period.

### ■ Japan posts faster than expected Q3 growth

Japan's economy grew slightly faster than expected in Q3 and is expected to gather pace in the last quarter with increased consumer spending ahead of a tax hike next year, but business investment came in well below economists' forecasts. The 0.5% expansion in Q3 was slower than the 0.9% growth in Q2 but exceeded estimates for a 0.4% increase. It marked a fourth straight quarter of growth, the best run that the world's third-largest economy has had in three years. Finance Minister Taro Aso indicated that the government will not rule out FX market intervention to prevent shifts in the yen rate from derailing economic recovery. The yen weakened to 100 against the US dollar. Growth is expected to accelerate in Q4 on the back of government stimulus and improved external demand in China and elsewhere.

### ■ Eurozone growth slows in Q3 to 0.1% as France contracts

A tepid recovery in the 17-nation eurozone slowed in Q3, with powerhouse Germany coming off the pace and France hit by a surprise contraction. The eurozone economy grew 0.1% in Q3 after a gain of 0.3% in Q2, Eurostat said. Germany, Europe's largest economy, managed growth of 0.3%, down from 0.7% in Q2, while France slipped back, its economy shrinking 0.1% after a gain of 0.5%. The cause appears to be slowing exports, due to a stronger euro currency, while domestic demand fails to make up the difference.

### ■ US weekly jobless claims disappoint and trade deficit widens

Initial jobless claims for the week ending 8 November decreased 2,000 to 339,000, following an upwardly revised 341,000 reading (+5,000 more) in the previous week. The data was above market expectations for a 335,000 reading. The 4-week average was reported at 344,000, down from the revised 349,800 reading previously. The Commerce Department said the trade gap in September increased 8.0% to US\$41.8 billion, the largest since May, as imports rose to their highest level in almost a year, which could probably see Q3 growth estimates trimmed. Trade contributed 0.31% point to the economy's 2.8% annualised growth pace in Q3.

## Market Snapshot

Selected Equity Indices	Last (Nov 15)	1-week return	Year-to-date return
Dow Jones Industrial Average	15,961.70	1.27%	21.81%
S&P 500 Index	1,798.18	1.56%	26.08%
FTSE 100 Index	6,693.44	-0.22%	13.49%
Euro Stoxx 50	3,054.53	0.65%	15.88%
Nikkei 225	15,165.92	7.66%	45.89%
Hang Seng Index	23,032.15	1.27%	1.66%
Shanghai SE Composite	2,135.83	1.41%	-5.87%
BSE Sensex Index	20,399.42	-1.29%	5.01%
Straits Times Index	3,201.27	0.76%	1.08%

Source: Bloomberg

## Week Ahead

Economic Calendar (Selected Events)				
Mon, Nov 18	Tue, Nov 19	Wed, Nov 20	Thu, Nov 21	Fri, Nov 22
Treasury International Capital	Employment Cost Index	<i>Consumer Price Index</i>	<i>Jobless Claims</i>	
Housing Market Index		<i>Retail Sales</i>	<i>Producer Price Index</i>	
		Business Inventories	PMI Manufacturing Index Flash	
		<i>Existing Home Sales</i>	<i>Philadelphia Fed Survey</i>	
		EIA Petroleum Status Report		
		<i>FOMC Minutes</i>		

Red: Market moving indicator

Black: Merits extra attention

Source: Bloomberg



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