

Headlines

- [Fed's Evans: open to December taper, but prefers to wait](#). *Reuters.com, 07 Dec 2013*
- [Banks trim risk but fail to raise provisions ahead of EU review](#). *Reuters.com, 08 Dec 2013*
- [Greek lawmakers approve 2014 budget to plot debt-relief course](#). *Bloomberg.com, 08 Dec 2013*
- [China exports rise more than estimated](#). *Bloomberg.com, 08 Dec 2013*

Weekly Review (for week ending 06 December 2013)

■ China factory activity maintains growth in November

China's manufacturing activity stabilised in November, outperforming analysts' expectations of a retraction on rising credit costs and slower restocking of inventories by companies. The official PMI published last Sunday remained flat at 51.4. A separate survey by HSBC / Markit put the PMI at 50.8, higher than the preliminary 50.4 flash figure released earlier. HSBC said improved business conditions and the launch of new products boosted volumes of new work.

■ US manufacturing sector expands at faster pace

The US manufacturing sector expanded at its fastest pace in 2½ years last month, while the pace of hiring in the sector also accelerated. The Institute for Supply Management (ISM) said its index of national factory activity rose to 57.3 in November - its best showing since April 2011 - from 56.4 the prior month. November was the sixth consecutive month of quicker growth in the goods-producing sector since a contraction in May, with growth accelerating after the partial US government shutdown that limited activity in October.

■ Renminbi overtakes euro as second-most used trade-finance currency

China's yuan overtook the euro to become the second-most used currency in global trade finance in 2013, according to the Society for Worldwide Interbank Financial Telecommunication. The currency had an 8.66% share of letters of credit and collections in October, compared with 6.64% for the euro, Swift said. China, Hong Kong, Singapore, Germany and Australia were the top users of yuan in trade finance. The yuan's share of global trade finance was 1.89% in January 2012, while the euro's was 7.87%. The ECB and the PBoC agreed to establish a bilateral currency swap line of as much as 350 billion yuan, the ECB said in October.

■ Singapore's manufacturing PMI slowed to 50.8 in November

Singapore's November PMI reached 50.8, a pullback from the 51.2 reached in October, and below consensus expectations of 51.4. Nevertheless, electronics PMI edged slightly higher at 51.2 compared to 51.0 a month earlier. However, economists say the recovery story in the electronics manufacturing sector remained intact, expanding for the 10th straight month in November, supported by higher new orders from both the domestic and overseas markets. Some economists say the recovery is likely to be sustained into the Q1 of 2014.

■ Aussie Q3 growth expands just 0.6% on weak demand

Australia's economy put in another subpar performance in Q3 as domestic demand disappointed and consumers chose to save rather than spend, although a solid contribution from international trade helped avoid something worse. GDP rose 0.6% in Q3 from Q2, when it increased 0.7%, the Australian Bureau of Statistics said. That was less than analysts' median forecast of 0.8%, with many sectors of the economy showing little or no growth at all. If not for a sizeable boost to growth from net exports, GDP would have actually contracted in the quarter. The economy grew 2.3% in the quarter from a year ago versus estimates of a 2.6% expansion.

■ US trade gap narrows in October as exports hit new high

The US trade deficit narrowed in October as exports hit a record high, pointing to a pick-up in global demand that should help to support domestic growth in the fourth quarter. The trade gap fell 5.4% to US\$40.6 billion. September's shortfall on the trade balance was revised to US\$43.0 billion from the previously reported US\$41.8 billion. When adjusted for inflation, the trade gap fell to US\$48.3 billion from US\$51.4 billion in the prior month. This measure goes into the calculation of GDP and suggested trade will again contribute to Q4 growth.

■ US Q3 growth revised up at 3.6% on bigger inventories

The US economy expanded more in Q3 than initially estimated as unsold inventory piled up at the fastest rate since early 1998, setting the stage for a possible slowdown in Q4. GDP rose at a 3.6% annual rate, up from an initial estimate of 2.8% and the strongest since the first quarter of 2012. The boost from inventories accounted for almost half the gain in growth, while household spending cooled and business investment in equipment stagnated. Less inventory accumulation combined with the 16-day federal government shutdown are projected to weigh on Q4 growth. Inventories increased at a US\$116.5 billion annualised pace in Q3, the most since the Q1 of 1998, after a previously reported US\$86 billion rate. In Q2, they rose at a US\$56.6 billion pace. Stockpiles added 1.68% to Q3 GDP, double the initial estimate and the biggest contribution since the end of 2011. Final sales, which exclude inventories, increased 1.9% after a 2.1% gain in Q2.

■ US jobless rate drops to five-year low of 7%; solid jobs report triggers QE taper speculation

The US jobless rate fell sharply to 7% in November, the lowest level in five years on the creation of a solid 203,000 jobs, the Labour Department announced Friday. The drop in the rate, from 7.3% in October, was unexpected and raised the odds that the Fed could soon begin scaling back stimulus as soon as December. The number of jobs created was also better than expected, 3,000 more than October's adjusted figure and up from a revised 175,000 in September, with the gains spread over the manufacturing, retail trade, health and professional service sectors. The number of unemployed Americans fell by 365,000 to 10.9 million, and total employment numbers surged.

Market Snapshot

Selected Equity Indices	Last (Dec 6)	1-week return	Year-to-date return
Dow Jones Industrial Average	16,020.20	-0.41%	22.25%
S&P 500 Index	1,805.09	-0.04%	26.57%
FTSE 100 Index	6,551.99	-1.48%	11.09%
Euro Stoxx 50	2,979.94	-3.46%	13.05%
Nikkei 225	15,299.86	-2.31%	47.18%
Hang Seng Index	23,743.10	-0.58%	4.79%
Shanghai SE Composite	2,237.11	0.75%	-1.41%
BSE Sensex Index	20,996.53	0.98%	8.08%
Straits Times Index	3,114.17	-1.96%	-1.67%

Source: Bloomberg

Week Ahead

Economic Calendar (Selected Events)				
Mon, Dec 9	Tue, Dec 10	Wed, Dec 11	Thu, Dec 12	Fri, Dec 13
		EIA Petroleum Status Report	<i>Jobless Claims</i>	<i>Producer Price Index</i>
		Treasury Budget	<i>Retail Sales</i>	
			Import and Export Prices	
			Business Inventories	

Red: Market moving indicator

Black: Merits extra attention

Source: Bloomberg



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