

Headlines

- [China's central bank vows to maintain steady credit growth](#). *Reuters.com, 05 October 2014*
- [IMF to cut its growth forecasts for Germany: Der Spiegel](#). *Reuters.com, 05 October 2014*
- [Austerity versus growth version 3.0 at G20/IMF](#). *Reuters.com, 05 October 2014*
- [NZ's Key loses outright majority in final vote count](#). *Bloomberg.com, 05 October 2014*

Weekly Review (for week ending 03 October 2014)

■ US consumer confidence falls sharply in September

US consumer confidence fell sharply in September after four straight monthly rises due to mounting concerns about the jobs market, the Conference Board said. The consumer confidence index fell to 86.0 from 93.4 in August. The index was 80.2 in September last year. The present situation component of the index fell to 89.4 from 93.9, while the listing for expectations dropped to 83.7 from 93.1. Overall views of current business conditions were essentially unchanged, but views of job availability declined sharply.

■ China manufacturing PMI steady on firmer demand

China's vast factory sector showed signs of steadying in September as export orders climbed, easing fears of a hard landing but pointing to a still-sluggish economy facing considerable risks. The final HSBC/Markit manufacturing PMI hovered at 50.2 in September, unchanged from the August reading which was a three-month low, but lower than a preliminary reading of 50.5. A sub-index measuring new export orders, a gauge of external demand, expanded to a 4½-year high of 54.5, though domestic demand appeared soft. On Wednesday, China's official manufacturing PMI came in at 51.1, unchanged from August and a tad higher than expectations for 51.0.

■ Japan data shows tax rise has hit economy

Japan's factory output saw a surprise drop and household spending kept falling in August, fanning fears about the impact of April's sales tax rise on the economy. Industrial production shrank 1.5% m/m in August after rising 0.4% in July, the ministry of economy, trade and industry said. Economists were forecasting a 0.3% rise. Separate data from the internal affairs ministry showed household spending in August fell a steeper-than-expected 4.7% from a year earlier. Spending has now fallen for 5 straight months since the government raised the sales tax from 5% to 8%. The latest fall was sharper than the market forecast of a 3.6% drop and came after a 5.9% plunge in July.

■ Eurozone inflation fall to 0.3% in September

Eurozone inflation slipped again in September, with prices rising at their slowest rate in nearly five years. Eurozone preliminary September CPI inflation data continued to languish at a very low 0.3% y/y (from 0.4% in August) while the core inflation eased further to 0.7% from 0.9% y/y in August. Inflation has been persistently below the ECB 2% target rate. Factories also cut prices last month for the first time since April. Eurostat said falls in the prices of unprocessed food (-0.9% y/y) and energy (-2.4% y/y) had driven the overall slowdown. Germany had earlier revealed that inflation remained stuck at the ultra-low level of 0.8% for the third month in a row in September.

■ US manufacturing slows as construction spending slides

US manufacturing expanded during September but the pace of growth slowed from August, which was the best monthly showing since March 2011. The ISM index of national factory activity eased to 56.6 in September from 59.0 in August, below expectations of 58.5. The new orders index fell to 60.0 from 66.7. Another report showed construction spending dropped a seasonally adjusted 0.8% with housing, non-residential and government projects all showing weakness, after a 1.2% increase in July and following a 1.6% June decline.

■ ECB leaves rates unchanged, but fails to set firm stimulus target

The ECB kept interest rates unchanged across the board. However, the markets were disappointed when Draghi failed to announce a stronger commitment to more stimulus despite the recent weakness in both growth and inflation data. Draghi reiterated that he wants to "steer" the ECB's assets toward early-2012 levels, when they were at €3 trillion compared with €2 trillion currently. He said investors shouldn't place too much emphasis on the precise size of the balance sheet. The key operational details of both the asset-backed securities purchase programme (starting Q4) and the new covered-bond purchase programme (starting mid-October) were released. These will run for two years until Q4 of 2016 with a series of targeted longer-term refinancing operations to be conducted until June 2016.

■ China services growth dips to eight-month low in September

China's services sector grew at its slowest pace in eight months in September after new orders shrank for the first time since the 2008 global financial crisis. The official non-manufacturing PMI edged down to 54.0 in September from 54.4 in August. The PMI showed the property, aviation, catering and environmental protection industries all took in fewer orders last month. Overall slack caused employment in the sector to shrink for the third consecutive month as a sub-index for jobs inched down to 49.5 from 49.6 in August.

■ US hiring accelerates, jobless rate hits six-year low at 5.9%

US non-farm payrolls rose by 248,000 in September and the jobless rate fell from 6.2% to 5.9%, the lowest since July 2008. In a further sign of strength, 69,000 more jobs were created in July and August than previously estimated, the Labour Department said. The workweek also climbed for the first time since March. Employees put in 34.6 hours a week on average, up from 34.5 hours in August and the most since May 2008. In terms of economic output, that is the same as if hiring increased by 598,000 last month. Payrolls have added an average 227,000 per month so far this year, keeping job gains on track for their best performance since 1999.

Market Snapshot

Selected Equity Indices	Last (Oct 3)	1-week return	Year-to-date return
Dow Jones Industrial Average	17,009.69	-0.60%	2.61%
S&P 500 Index	1,967.90	-0.75%	6.47%
FTSE 100 Index	6,527.91	-1.83%	-3.28%
Euro Stoxx 50	3,133.37	-2.77%	0.78%
Nikkei 225	15,708.65	-3.21%	-3.58%
Hang Seng Index	23,064.56	-2.59%	-1.04%
Shanghai SE Composite	2,363.87	0.69%	11.72%
BSE Sensex Index	26,567.99	-0.22%	25.49%
Straits Times Index	3,253.24	-1.18%	2.71%

Source: Bloomberg

Week Ahead

Economic Calendar (Selected Events)				
Mon, Oct 6	Tue, Oct 7	Wed, Oct 8	Thu, Oct 9	Fri, Oct 10
	JOLTS	EIA Petroleum Status Report <i>FOMC Minutes</i>	<i>Jobless Claims</i>	Import and Export Prices Treasury Budget

Red: Market moving indicator

Black: Merits extra attention

Source: Bloomberg



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