

Headlines

- [Merkel eyes third term in first German vote since euro crisis](#). *Reuters.com, 22 Sep 2013*
- [Obama urges Congress to pass budget, raise debt ceiling](#). *Channelnewsasia.com, 21 Sep 2013*
- [Fed officials criticise, explain taper delay](#). *Reuters.com, 20 Sep 2013*
- [Consumer spending probably rose in August: US Economy Preview](#). *Bloomberg.com, 22 Sep 2013*

Weekly Review (for week ending 20 September 2013)

■ US manufacturing sector rebounds, supported by automobiles

US factory output surged in August as the pace of motor vehicle assemblies jumped to a six-year high, a hopeful sign for the economy after a slow start to the third quarter. Manufacturing production advanced 0.7%, the Federal Reserve said. The rise, which more than reversed the prior month's 0.4%, helped to lift overall industrial production 0.4%.

■ Singapore August NODX slides for a seventh month

Singapore's August NODX surprised a generally optimistic market consensus (+2.4% y/y) on the downside and posted a contraction of 6.2% y/y, worse than a revised 1.9% y/y contraction seen a month ago. The contraction was due to weak performance seen in both electronic exports (-9.2% y/y) and non-electronic exports (-4.7% y/y). On a seasonally-adjusted basis, NODX declined by 6.0% m/m, worse than the 1.8% m/m contraction seen in the previous month. Electronics NODX had contracted for the 13th month in a row, as segments such as parts of personal computers (-23.5% y/y), disk media products (-16.9% y/y), and ICs (-14.6% y/y) continued to decline.

■ Europe's outlook turning positive; German investor confidence at 3½ year high

Investment sentiment in Germany rose to its highest level in three-and-a-half years this month, data showed Tuesday, fuelling optimism that Europe and its biggest economy are in recovery. The widely watched investor confidence index calculated by the ZEW economic institute rose by 7.6 points to 49.6 points in September, the institute said in a statement. That was fractionally higher than analysts' forecasts for an increase to around 49 points this month, and was the highest level since April 2010.

■ China new home prices rise in 69 out of 70 cities in August

New home prices rose in 69 of 70 cities tracked by the government, the same as in July. Prices in China's four major cities rose the most since January 2011, led by a 19% jump in Guangzhou, as the government refrains from imposing further curbs to cool the market. Beijing and Shanghai prices rose 15% from a year ago, while in Shenzhen they gained 18%. Premier Li Keqiang has come up with no additional measures to rein in property prices since his predecessor Wen Jiabao stepped up a 3-year campaign in March to cool the housing market, ordering the central bank to raise down-payment requirements for second mortgages in cities with excessive cost gains.

■ US housing-starts weaker than forecast

Builders began work on fewer US homes than projected in August. Housing starts rose 0.9% to a 891,000 annual rate, following the prior month's 883,000 pace that was downwardly revised from 896,000, a Commerce Department report showed. The median estimate called for 917,000. Building permits, a proxy for future projects, dropped more than forecast, falling 3.8% to a 918,000 pace, showing a lack of drive heading into this month. Applications were projected to ease to a 950,000 pace from 954,000.

■ Fed unexpectedly refrains from QE taper, keeps bond buying at US\$85 billion

The Federal Reserve unexpectedly refrained from reducing the US\$85 billion pace of monthly bond buying, saying it needs more evidence of lasting improvement in the economy and warning that an increase in interest rates threatened to curb the expansion. The USD fell sharply after Fed policy makers "decided to await more evidence" of economic progress, including holding its interest-rate target at almost zero until the unemployment rate falls below 6.5%. "Conditions in the job market today are still far from what all of us would like to see. The committee has concern that rapid tightening of financial conditions in recent months would have the effect of slowing growth."

■ Home sales climb as Americans rush to lock in rates

Sales of previously owned US homes unexpectedly rose in August to the highest level in more than six years as buyers rushed to lock in interest rates before they increased further. Purchases climbed 1.7% to a 5.48 million annual rate, the most since February 2007. The housing data reflect transactions begun in June or July, when buyers were trying to get loans at mortgage rates near record lows.

■ Rajan surprises with India rate rise to quell inflation

RBI Governor Raghuram Rajan, who took office two weeks ago, surprised analysts by raising the benchmark interest rate in his first policy review, seeking to rein in inflation that's hurt the poor and dimmed economic prospects. Rajan, boosted the repo rate by 0.25% to 7.5%, the first increase since 2011. The RBI said it is starting the process of a "cautious unwinding" of exceptional measures taken since July to reduce exchange-rate volatility, to stem inflation so as to reduce pressure on the rupee and create conditions for revitalising expansion.

■ Bullard says October taper possible after close call QE decision

Federal Reserve Bank of St. Louis President James Bullard, a voter on policy this year who has backed record stimulus, said the Fed may make a small cut to bond purchases in October after its narrow decision this week not to reduce accommodation. The Fed will be able to weigh the September jobs report and revisions of prior months as well as updated housing reports at its October 29-30 meeting.

Market Snapshot

Selected Equity Indices	Last (Sep 20)	1-week return	Year-to-date return
Dow Jones Industrial Average	15,451.09	0.49%	17.91%
S&P 500 Index	1,709.91	1.30%	19.89%
FTSE 100 Index	6,596.43	0.19%	11.85%
Euro Stoxx 50	2,927.19	2.10%	11.05%
Nikkei 225	14,742.42	2.34%	41.82%
Hang Seng Index	23,502.51	2.56%	3.73%
Shanghai SE Composite	2,191.85	-1.98%	-3.41%
BSE Sensex Index	20,263.71	2.69%	4.31%
Straits Times Index	3,237.53	3.76%	2.22%

Source: Bloomberg

Week Ahead

Economic Calendar (Selected Events)				
Mon, Sep 23	Tue, Sep 24	Wed, Sep 25	Thu, Sep 26	Fri, Sep 27
PMI Manufacturing Index Flash	S&P Case-Shiller HPI	<i>Durable Goods Orders</i>	<i>GDP</i>	<i>Personal Income and Outlays</i>
	Consumer Confidence	<i>New Home Sales</i>	<i>Jobless Claims</i>	Consumer Sentiment
		EIA Petroleum Status Report	Pending Home Sales Index	

Red: Market moving indicator

Black: Merits extra attention

Source: Bloomberg



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