



Global Market Update





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US Headlines

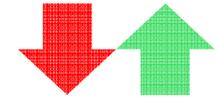
* Government shutdown



- Lawmakers failed to reach a deal to fund government.
- Government shut down on October 1.
- **Impacts:**
 - Delayed 3 economic data releases in a week.
 - Obama skipped APEC forum, cancelled trip to Asia.
 - Estimated to knock 0.1-0.2% off annualised Q4 growth rate each week.
- Ended on October 16.

US Headlines

* Debt limit raised, for now



- Fitch Ratings put the AAA grade on ratings watch negative.
- Senate passed the bill 81-18.
- House of Representatives voted 285-144.
- Government will be funded through 15 Jan 2014.
- Debt limit suspended through 7 Feb 2014.
- Expect another round of confrontations then.

US Headlines

* **Obamacare's health exchanges open**



- Health exchanges opened on October 1.
- **Mandatory insurance** for all, subsidies available for poor.
- Beginning January 2015, firms with >50 full-time employees required to offer affordable health insurance.
- Survey shows 1 in 10 firms will **cut workers' hours**.
- Still too much uncertainty to predict the impact of Obamacare.

US Headlines

* Yellen nominated to lead Fed



- First woman & first known dove in the job.
- Worries more about unemployment rather than inflation.
- Continuity in monetary policy.



US Headlines

* **Fed defends ongoing stimulus**

- Decision not to taper was wise in view of government shutdown.
- Fed will maintain ultra-easy monetary policy for quite a while longer.



* **Jobless-claims jumped**

- Claims for jobless benefits jumped to highest in 6 months, substantially higher than estimates.
- Half came from California's backlog following switch in computer systems.



China Headlines

* **Most major indicators soften**

- Sep industrial output rose 10.2% (est) vs 10.4% (Aug)
- Official PMI numbers rose to 55.4 (Sep) vs. 53.9 (Aug)
- HSBC PMI down to 52.4 (Sep) from 52.8 (Aug)



* **Inflation quickened due to food prices**

- Increased to 3.1% in April from 2.6% in August
- Still below target for the year of 3.5%



China Headlines

* **Exports unexpectedly drop**



- Exports dropped 0.3% in September from a year earlier.
- Constraints from global demand & inflated export data that started late last year.
- 5.5% gain median projection in Bloomberg News survey.

* **Growth forecast lowered by World Bank**



- 2013 growth forecast lowered to 7.5% from 8.3% (April).
- 2014 growth forecast lowered to 7.7% from 8.0%.
- Local government debt remains a concern.

China Headlines

* **Proposal of an “Asian Infrastructure Bank”**



- Open to participation by other Asian governments.
- To finance infrastructure development in Asian countries.
- Enhances China’s indirect “soft power” in the region.
- Positive in the long run if plan materializes.

Japan Headlines

❖ Economy improves

- GDP grew 4.1% in Q1 and 3.8% in Q2.
- Consumer prices rose by 0.9% in the year to Aug.
- Corporate goods price index in Sep climbed to fastest pace since Nov 2008.
- Machinery orders in Aug jumped to highest since 2008.

Japan Headlines

❖ Trade deficit widens in August



- Increased to ¥ 960 billion.
- **Exports** increased by 14.7%, fastest pace in 3 years helped by the weaker yen.
- **Imports** increased by 16.0%, due to higher oil prices and increase in fossil fuels purchases.

Japan Headlines

❖ Consumption tax to increase

- Consumption tax to increase to 8% in April 2014.
- Projected to increase revenue by ¥7.5 trillion a year
- Crucial step for tackling gross debt (245% of GDP).

Eurozone Headlines

❖ Eurozone unemployment remains high



- Remain unchanged at 12.0% in Aug.
- Unemployment highest in Greece (27.6%) and Spain (26.3%).

❖ ECB holds interest rates



- European Central Bank left its main interest rate unchanged at record low of 0.5%.

Eurozone Headlines

- ❖ **Successful debut of Europe's new rescue fund** 
 - European Stability Mechanism (ESM) successfully raised €7 billion.
 - Eurozone members pledged €700 billion for fund.
 - Earmarked €199 for recapitalisation of Spanish financial sector and €9 billion for Cyprus.
 - Potential bailouts: 3rd for Greece, 2nd for Portugal and 1st for Slovenia.

Singapore Headlines

❖ **SGX to adopt circuit breakers early 2014**



- Stock prices of 3 commodities companies erased \$6.9 billion in market value over 3 days.
- Stock trading will halt 5 minutes if it breaches 10% in either direction.
- Trading caps will allow investors time to assess their holdings.
- Proposal expected to regain investor confidence.

Singapore

❖ Expect subdued economic growth



- Unemployment rate increased to 2.1% in Q2.
- Inflation rate increased to 2.0% in August.
- Economy grew 5.1% in Q3 from a year earlier.
- Economists expect GDP growth of 2.9% for 2013.

Piecing it altogether

* **Significant uncertainty arising from U.S.**

- Political fights will dominate headlines and tapering likely to be delayed for a while.
- China's growth rebounds but still fragile.
- Risk of conflict in Syria subdued but remains a tail risk.

* **Expect Singapore market to be volatile**

- Singapore market susceptible to external shocks, especially the ongoing political events in U.S.





Questions?





Thank You !