Financial Markets…US treasuries gained and the benchmark 10-year bond yield edged down 1 basis point to 1.66%, after rising as high as 1.7% earlier, while the 30-year bond yield slid by 2 bps to 2.83% in early Friday session after a government report on wholesale price in September showed domestic inflation remained muted. The euro advanced 0.3% to $1.297 after dropping to a 10-day low of $1.283 yesterday, and it gained 0.4% to 101.7 yen amid speculation that a downgrade of Spain’s sovereign rating would put pressure on the government to finally request a sovereign bailout.

Spanish government bonds rose and 10-year Spanish bond yields fell 9 basis points to 5.67%, gearing for the lowest level in nearly a month, on the prospect of European Central Bank intervention to support its debt.

High-income Economies…Euro Area industrial production rose 0.6% (m/m) in August, the same pace as that recorded in July, with increases in France (+1.5% m/m), Italy (+1.7%), Spain (+1.3%), and Greece (+2.5%) offsetting a 0.4% fall in Germany, Eurozone’s largest economy. Despite the monthly increase, Euro Area industrial output was 2.9% lower in August compared to the same month in 2011.

The US Thomson Reuters-University of Michigan consumer sentiment index rose to 83.1 in October, the highest in five years, from 78.3 in September as consumers’ optimism about the overall economy improved.

US producer prices rose 1.1% (m/m) in September following a 1.7% rise in August, mainly due to an increase in gasoline prices. On a year-on-year basis, however, overall PPI inflation edged up to 2.1% from 2.0% in August. Core PPI which excludes food and energy remained flat compared to the previous month.

France’s current account deficit widened to 4bn euros in August from 2.6bn euros in July, as the trade deficit rose with an increase in energy-led imports offsetting an improved exports performance.

The Netherlands’ trade surplus narrowed to 2.2bn euros in August from 2.95bn euros in July, as imports rose +2.2% (m/m) from robust domestic demand, while exports fell 0.5%.

Singapore’s GDP growth slowed to 1.3% (y/y) in the third quarter from 2.3% recorded in the second quarter, pulled down by a 1.5% (q/q) contraction driven by a decline in the manufacturing sector’s electronics cluster due to weak external demand.
Slovakia’s consumer price inflation eased to 3.6% (y/y) in September from 3.7% in August led by a slower pace of increase in utility prices.

**Developing Economies...** Bulgaria’s consumer price inflation accelerated to 4.9% (y/y) in September from 3.9% in August, partly due to a sharp increase in food and fuel prices. Prices continue to advance rapidly in the second half of 2012 following an earlier period of decline.

*India’s* industrial production increased 2.7% (y/y) in August following a 0.2% contraction in July, led by a 5% growth of consumer goods production. *India’s* consumer price inflation eased to 9.7% (y/y) in September from 10.0% in August driven by a small decline in food inflation.

*Malaysia’s* industrial production declined 0.7% (y/y) in August following a 2.9% increase in July, as manufacturing sector continued to struggle in the face of weak external demand.

*Mexico’s* industrial output growth slowed to 3.6% in August from 4.9% (y/y) in July, pulled down by a 0.8% (m/m) contraction in August, mirroring industrial developments in the United States.

The central banks of *Indonesia, Peru and Singapore* held their respective policy rates unchanged this week.

Recent issues and other current analysis is also available on the Prospects blog.