

Monday, 23 January 2012

Weekly Update

Headlines

- [Greece's creditors leave Athens, talks to continue](#). *Reuters.com, 21 Jan 2012*
- [China faces 'bigger challenges' in Dragon year: Wen](#). *sg.finance.yahoo.com, [AFP] 21 Jan 2012*
- [EU's Ratings Affirmed by S&P; Outlook Negative](#). *Bloomberg.com, 20 Jan 2012*
- [Japan May Exempt Home Purchases From Sales Tax Rise, Finance Minister Says](#). *Bloomberg.com, 21 Jan 2012*

Weekly Review (for week ending 20 January 2012)

S&P also cut its credit rating of the European Financial Stability Facility, the eurozone's rescue fund, by one notch to "AA+" on Monday evening, three days after it cut the ratings of France and Austria by the same margin. S&P said the decision was inevitable following the cuts to the creditworthiness of France and Austria, which were two of the EFSF's guarantors. EFSF CEO Klaus Regling said the downgrade will make no difference to the facility's lending capacity or effectiveness.

Singapore's NODX increased 9% y/y (16.4% m/m s/adj) in December, beating market expectations of -1.2% y/y, (+8.0% m/m s/adj). The increase was led by stronger performance in non-electronic exports which rose 16.7% y/y and pharmaceuticals with a 38.6% y/y increase in December. Although December data came in better than expected, the boost came from pharmaceutical exports which are volatile and might see some weakness this year. Electronic exports continue to stay low and we do not see any upturn in the sector as yet, with external demand for Singapore's exports still slow amid the sluggish US recovery and Eurozone debt problems. We are maintaining our projection of 2.5% for GDP growth in 2012.

China's economy grew at its weakest pace in 2½ years as its Q4 GDP growth slowed to 8.9% y/y from 9.1% in Q3. This was still above expectations for 8.7% Q4 growth. For the full year, China's economy expanded 9.2% in 2011, from a revised 10.4% in 2010. The surprisingly strong Q4 headline was partly boosted by high December industrial production, which expanded 12.8% y/y compared with 12.4% in November, as well as the weaker than expected imports in the month. Retail sales were robust, rising 18.1% y/y in December, higher than the normal 17% pace and the fastest in nearly a year.

Investors are again downgrading the decision making of S&P. Less than a week after it cut ratings of nine countries including France, the French 10-year bond is little changed at 3.08% and borrowing costs fell this week at the country's sale of 8.59 billion euros in bills. Spain, whose rating was lowered by two levels to "A", sold 12-month debt at half the interest rate of a month ago, at an average 2.049% compared with 4.05% on December 13.

The World Bank cut its global growth forecast by the most in three years, saying that a recession in the euro region threatens to exacerbate a slowdown in emerging markets such as India and Mexico, and urging developed countries to prepare for severe shocks. The world economy will grow 2.5% this year, down from a June estimate of 3.6%. The euro area may contract 0.3%, compared with a previous estimate of a 1.8% gain. The US growth outlook was cut to 2.2% from 2.9%; growth forecasts for developing countries cut to 5.4% from 6.2% and for developed countries cut to 1.4% from 2.7%.

Home prices fell in 52 out of 70 of China's major cities in December compared with 49 in November, data released Wednesday by the National Bureau of Statistics showed, as the government stood firm on reining in property speculation. China has introduced a range of measures aimed at curbing the real estate market since last year, such as bans on buying second homes in some cities, hiking minimum down-payments and introducing property taxes.

The US Labour Department said on Thursday the CPI, its broadest inflation gauge, was unchanged last month and the core rate which excludes volatile energy and food prices rose 0.1%. For the year, the CPI rose 3.0% and the core rate increased 2.2%. Investors scooped up a record US\$15 billion offering of US government debt that promises inflation protection (TIPS), even though there are no signs that food and energy prices are running out of control. The 10-year TIPS sold at a yield of minus 0.046%, with traders betting that the Fed's policies will lead to inflation further down the road.

Chinese manufacturing activity failed to grow in January, although the contraction eased slightly, according to the initial findings released Friday by HSBC. The flash China manufacturing PMI for January came in at 48.8, up from a final reading of 48.7 last month, marking the third straight month below 50 which indicates manufacturing conditions are contracting.

Sales of previously owned US homes rose in December to the highest level since January 2011, adding to evidence residential real estate was stabilizing heading into the new year. Purchases increased for a third month, climbing 5% to a 4.61 million annual rate. The gain helped push the number of houses on the market to a six-year low.

Market Snapshot

Selected Equity Indices	Last (Jan 20)	1-week return	Year-to-date return
Dow Jones Industrial Average	12,720.48	2.00%	4.12%
S&P 500 Index	1,315.38	1.53%	4.59%
FTSE 100 Index	5,728.55	0.79%	2.80%
Euro Stoxx 50	2,426.96	3.80%	4.77%
Nikkei 225	8,766.36	3.13%	3.68%
Hang Seng Index	20,110.37	4.72%	9.09%
Shanghai SE Composite	2,319.12	3.32%	5.44%
BSE Sensex Index	16,739.01	3.71%	8.31%
Straits Times Index	2,849.38	2.07%	7.67%

Source: Bloomberg

Week Ahead

Economic Calendar (Selected Events)				
Mon, Jan 23	Tue, Jan 24	Wed, Jan 25	Thu, Jan 26	Fri, Jan 27
		Pending Home Sales Index	<i>Durable Goods Orders</i>	<i>GDP</i>
		EIA Petroleum Status Report	<i>Jobless Claims</i>	Consumer Sentiment
		<i>FOMC Meeting Announcement</i>	<i>New Home Sales</i>	
		<i>Chairman Press Conference</i>		

Red: Market moving indicator

Black: Merits extra attention

Source: Bloomberg

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