

Headlines

- [Schaeuble warns Greek promises no longer suffice](#). *Reuters.com, 12 Feb 2012*
- [Soros: Greek Bailout won't rid Europe of danger](#). *Bloomberg.com, 12 Feb 2012*
- [Consumer confidence increases as China and US rise, Nielsen survey shows](#). *Bloomberg.com, 12 Feb 2012*
- [Retail sales probably rose in January: US economy preview](#). *Bloomberg.com, 12 Feb 2012*

Weekly Review (for week ending 10 February 2012)

Indonesia's economy grew last year at the fastest pace since 1996, before the Asian financial crisis, even as rising investment and domestic spending countered a slowdown in export demand due to Europe's debt crisis. GDP rose 6.46% in 2011, the statistics bureau said in Jakarta Monday, after a revised 6.2% gain the previous year. Indonesia posted a 29% surge in exports last year, reaching US\$203.62 billion, and surpassing an official target of US\$200 billion. In December, Fitch had upgraded Indonesia to investment-grade status, and Moody's followed suit last month.

The IMF warned on Monday that China's economic growth will be cut in half if Europe's debt crisis worsens. Such a scenario would warrant significant government stimulus. Based on the "downside" forecast for the global economy, China's growth could drop by 4% from the current projection of 8.2% growth for 2012. However, a track record of fiscal discipline has given China ample room to respond to such an external shock. The growth forecast for 2013 was revised to 8.8%.

The Reserve Bank of Australia unexpectedly kept the cash rate at 4.25%, noting that interest rates have declined to be close to their medium-term average, as a result of the actions at the Board's previous two meetings. With growth expected to be close to trend and inflation close to target, the Board judged that the setting of monetary policy was appropriate for the moment, and will monitor economic and financial conditions and adjust the cash rate as necessary to foster sustainable growth and low inflation. The Aussie dollar jumped more than a cent against the US dollar, reaching a 6-month high.

Japan's current account surplus shrank sharply to a 15-year low in 2011, and while foreign investments are covering a declining trade position for now there are growing questions over how long Tokyo will be able to fund its huge public debt domestically. The current account balance, a broad measure of trade and other flows, logged a surplus of 9.6289 trillion yen (US\$125 billion) in 2011, down 44% from the previous year, its biggest fall on record. Japan's sovereign debts are currently rated AA-, or three notches below the highest rating, by the three major global credit rating agencies.

Bank Indonesia cut its benchmark interest rate by 25 bps to 5.75% Thursday despite a strong set of 4Q11 GDP data announced on Monday and the aggressive monetary easing since late-2011. The statement from the central bank shows concerns over external risks although Bank Indonesia continues to forecast GDP growth of 6.3%-6.7% range for 2012.

The Bank of England says it will pump another £50 billion into Britain's struggling economy as part of its quantitative easing programme. When completed, it will bring the total amount of QE stimulus to £325 billion. Without another stimulus from QE, inflation was likely to fall from its current 4.2% to below its 2% target. Meanwhile, the ECB has left its benchmark interest rate unchanged at 1.0% for two consecutive months, hoping to boost the eurozone's growth.

European finance ministers held back a rescue package for Greece in a rebuff that left lawmakers in Athens under government pressure to endorse a newly minted austerity plan or exit the euro. The refusal to deliver a €130 billion bailout for Greece reflected the euro area's frustration with Greece's bickering politicians and the prospect that they may again backtrack on fiscal commitments not passed into law. "In short: no disbursement without implementation", Luxembourg Prime Minister Jean-Claude Juncker said in Brussels Thursday after chairing emergency talks of euro-area policy makers. He set another extraordinary meeting for 15-Feb. Greece blamed its shortcomings on a recession deeper than expected and which is now set to worsen after unemployment jumped to 20.9% in November and industrial production slumped.

Fewer Americans than forecast filed claims for jobless benefits last week. Applications for jobless benefits decreased 15,000 in the week ended 4-Feb to 358,000, Labour Department figures showed, defying economists' forecast for 370,000 claims. A four-week average of new filings, which provides a better view of the trend, hit its lowest level since April 2008.

Confidence among US consumers declined more than forecast in February as growing optimism about job prospects failed to ease concern that wages will stagnate. The Thomson Reuters/University of Michigan preliminary index of consumer sentiment dropped to 72.5 from 75 in January, a one-year high. The median estimate in a Bloomberg News was 74.8.

Market Snapshot

| Selected Equity Indices | Last (Feb 10) | 1-week return | Year-to-date return |
|------------------------------|---------------|---------------|---------------------|
| Dow Jones Industrial Average | 12,801.23 | -0.47% | 4.78% |
| S&P 500 Index | 1,342.64 | -0.17% | 6.76% |
| FTSE 100 Index | 5,852.39 | -0.82% | 5.03% |
| Euro Stoxx 50 | 2,480.76 | -1.37% | 7.09% |
| Nikkei 225 | 8,947.17 | 1.30% | 5.82% |
| Hang Seng Index | 20,783.86 | 0.13% | 12.75% |
| Shanghai SE Composite | 2,351.98 | 0.93% | 6.94% |
| BSE Sensex Index | 17,748.69 | 0.82% | 14.84% |
| Straits Times Index | 2,960.00 | 1.44% | 11.85% |

Source: Bloomberg

Week Ahead

| Economic Calendar (Selected Events) | | | | |
|-------------------------------------|--------------------------|--------------------------------|--------------------------------|-----------------------------|
| Mon, Feb 13 | Tue, Feb 14 | Wed, Feb 15 | Thu, Feb 16 | Fri, Feb 17 |
| | <i>Retail Sales</i> | Empire State Mfg Survey | <i>Housing Starts</i> | <i>Consumer Price Index</i> |
| | Import and Export Prices | Treasury International Capital | <i>Jobless Claims</i> | |
| | Business Inventories | <i>Industrial Production</i> | <i>Producer Price Index</i> | |
| | | Housing Market Index | <i>Philadelphia Fed Survey</i> | |
| | | EIA Petroleum Status Report | | |
| | | <i>FOMC Minutes</i> | | |

Red: Market moving indicator

Black: Merits extra attention

Source: Bloomberg

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