

Headlines

- [Greece identifies 325 million Euro in Budget Cuts](#). *Bloomberg.com, 18 Feb 2012*
- [Greek cabinet backs extra austerity measures](#). *Reuters.com, 19 Feb 2012*
- [China cuts Bank Reserve Requirements; Exports 'Grim'](#). *Bloomberg.com, 18 Feb 2012*
- [Home Sales in US probably climbed in January to highest level since 2010](#). *Bloomberg.com, 19 Feb 2012*

Weekly Review (for week ending 17 February 2012)

Japan's economy shrank a bigger-than-expected 0.6% in 4Q 2011 (expected 0.3% contraction) after a revised 1.7% growth for Q3, hurt by slowing global growth, Thai floods and a strong yen, casting doubt about expectations that growth will resume this quarter as Europe's debt crisis clouds the outlook. Its fourth contraction in five quarters resulted in full year GDP growth for 2011 contracting 0.9%. As in previous quarters since early 2011, exports led the decline in total output; exports were down 3.1% q/q (vs. +8.6% in Q3) while imports were up 1.0% q/q (vs. +3.4% in Q3).

Rating agency Moody's warned on Monday it may cut the triple-A ratings of France, the United Kingdom and Austria after downgrading their outlook to negative. It cut the ratings of Italy, Portugal, Slovakia, Slovenia and Malta by one notch and Spain by two notches. Germany's top-tier rating was described as "appropriate" by Moody's and triple-A status was also unchanged for Denmark, Finland, Luxembourg and the Netherlands. It affirmed its triple-A rating on the euro zone's bailout fund, the EFSF. The moves were similar to S&P's downgrades last month, but S&P also cut the EFSF by one notch.

Australian home loans surprised by rising 2.3% to 48,453 in December, the highest in almost two years, from a revised November increase of 1.8%. The total value of loans rose 3.8% to A\$21.3 billion in December, the highest level in two years. The RBA had lowered borrowing costs in November and December to 4.25% to buttress the housing market.

Eurozone finance ministers have told the Greek government to detail how it will fill a €325 million gap in its plan for an extra €3.3 billion in savings this year before they meet in Brussels Wednesday, but the meeting was later cancelled and a teleconference was held instead after seeing estimates that Greece's debt would fall to 129% of GDP in 2020, missing a target of 120%. Greece has to meet the conditions set by euro finance chiefs before the next meeting on February 20 to approve both the bond exchange with private investors and the €130 billion bailout lifeline.

Moody's warned that it may cut the credit ratings of 17 global and 114 European financial institutions in another sign that the impact of the eurozone government debt crisis is spreading throughout the global financial system. UBS, Credit Suisse and Morgan Stanley's credit ratings may be cut by as many as three notches. Goldman Sachs, Deutsche Bank, JPMorgan Chase and Citigroup are among companies that may be downgraded by two levels.

The US Commerce Department said Thursday that housing starts rose 1.5% to an annual rate of 699,000 units last month, beating economists' expectations for a 675,000-unit pace. The data pointed to sustained momentum in the economy, with builders breaking more ground on new residential projects in January and little signs of a pick-up in inflation pressures.

Singapore's Jan NODX came in weaker-than-expected, contracting 2.1% y/y, against market estimates of 0.0% y/y. However, on a s/adj m/m basis, NODX grew 0.9% m/m vs market's estimate of -9.0%. Shipments of electronics contracted further, while exports of non-electronics grew at a slower pace. The data could have been affected by the shorter work month arising from the CNY holidays, and is similar to the weak exports data seen in other Asian countries such as Taiwan (-16.8% y/y), Korea (-7.0% y/y) and China (-0.5% y/y). We are maintaining our projection of 2.5% for GDP growth in 2012.

The Consumer Price Index increased 0.2% in January on a seasonally adjusted basis, the US Bureau of Labour Statistics reported Friday. Over the last 12 months, the all items index increased 2.9% before seasonal adjustment. The report also showed so-called core prices, which strip out food and energy costs, rose 0.2% in January. That pushed the increase over the last 12 months up to 2.3%, the fastest pace since September 2008. Gasoline prices jumped 0.9% in January, leading overall consumer prices higher and offering a reminder of the risks energy costs pose to the economic recovery.

China's home prices fell in January from December, marking the fourth monthly fall in a row and showing that the policy-driven property market downturn is deepening, which will add to worries about a hard landing for China's economy. Average new home prices across the country dropped 0.2% in January from a month earlier, as compared with a decline of 0.3% in December and a drop of 0.2% in both November and October.

Market Snapshot

Selected Equity Indices	Last (Feb 17)	1-week return	Year-to-date return
Dow Jones Industrial Average	12,950.10	1.16%	6.00%
S&P 500 Index	1,361.23	1.38%	8.24%
FTSE 100 Index	5,905.07	0.90%	5.97%
Euro Stoxx 50	2,520.31	1.59%	8.80%
Nikkei 225	9,384.17	4.88%	10.98%
Hang Seng Index	21,491.62	3.41%	16.58%
Shanghai SE Composite	2,357.18	0.22%	7.17%
BSE Sensex Index	18,289.35	3.05%	18.34%
Straits Times Index	3,000.59	1.37%	13.39%

Source: Bloomberg

Week Ahead

Economic Calendar (Selected Events)				
Mon, Feb 20	Tue, Feb 21	Wed, Feb 22	Thu, Feb 23	Fri, Feb 24
US Holiday: Presidents' Day		<i>Existing Home Sales</i>	<i>Jobless Claims</i>	Consumer Sentiment
			EIA Petroleum Status Report	<i>New Home Sales</i>

Red: Market moving indicator

Black: Merits extra attention

Source: Bloomberg

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