

Headlines

- [Buffett adds to bullish US economic recovery signals](#). *Reuters.com, 26 Feb 2012*
- [German minister first in govt call for Greece euro exit](#). *Reuters.com, 25 Feb 2012*
- [China's growth may slip to 8.6% this year as Europe slows, report says](#). *Bloomberg.com, 25 Feb 2012*
- [Manufacturing in US probably increased at faster pace to lead expansion](#). *Bloomberg.com, 26 Feb 2012*

Weekly Review (for week ending 24 February 2012)

■ Japan's January trade deficit hits new record

Japan suffered its biggest monthly trade deficit on record in January. The value of exports fell by 9.3% in January from a year earlier to 4.51 trillion yen, marking a fourth consecutive monthly decrease, while the value of imports rose by 9.8% to 5.99 trillion yen, the 25th consecutive monthly increase. The news confirmed fears that the trade position is still deteriorating after recent data revealed that Japan suffered its first annual trade deficit in over 30 years in 2011. A 20% plunge in Japanese exports to China last month set alarm bells ringing. Japan's only consolation for the moment is a weakening yen following last week's emergency actions taken by an alarmed BOJ to introduce an inflation target and to loosen monetary policy. This may help boost exports eventually and help restore the trade balance.

■ Greece bailout deal gets underwhelming response

After 13 hours of talks, eurozone finance ministers finally struck a deal for Greece's second bailout package that would resolve Greece's financing needs up to 2014, but unlikely to revive Greece's shattered economy. The deal includes "an enhanced and permanent" surveillance presence in Athens by the Troika to observe implementation of promised reforms. The package aims to cut Greece's debt/GDP ratio from 164% to 120.5% by 2020. The ECB and national central banks will not be foregoing profits on the Greek bonds held under its Securities Markets Program; national central banks that hold Greek bonds as investments will not have them restructured.

■ Fitch cuts Greece's credit grade by two notches

Fitch reduced the long-term foreign and local currency issuer default ratings to 'C' from 'CCC', according to a statement. "The proposal to reduce Greece's public debt burden via a debt exchange with private creditors will, if completed, constitute a rating default" the company said. "The exchange, if completed, would constitute a distressed debt exchange". S&P rates Greece at 'CC', two steps up from a default rating. Moody's said in December it will cut the country's 'Ca' grade by one level to 'C' if the debt exchange means the so-called net-present-value loss on its bonds is greater than 65%.

■ China's PMI rises to 4-month high, HSBC survey shows

The HSBC flash PMI, the earliest indicator of China's industrial activity, rose to a four-month-high at 49.7 in February from 48.8 in January. However, manufacturing sector contracted in February for the fourth straight month as new export orders dropped sharply in the face of the euro area debt crisis. HSBC said its flash PMI data, based on 85-90% of responses to a monthly survey, suggested further policy easing was needed. The final PMI will be released on March 1.

■ US home resales up 4.3% at 1-1/2 yr-high, supply falls

The National Association of Realtors said on Wednesday existing home sales increased 4.3% to an annual rate of 4.57 million units last month, the fastest pace since May 2010. Sales were up across all four regions of the country, with the West recording the biggest gain, an 8.8% increase. The supply of properties on the market hit the lowest level in almost seven years in a hopeful sign for the housing sector.

■ Eurozone economy to shrink in 2012, European Union stagnates

The 17-nation eurozone was last in recession in 2009, dubbed the Great Recession worldwide, when the economy contracted 4.3% during the deepest global slump since the 1930s. Its economy is now heading into its second recession in just three years and has yet to break its vicious cycle of debt, with the Commission forecasting that economic output will contract 0.3% this year, reversing an earlier forecast of 0.5% growth in 2012. The wider 27-nation European Union which generates a fifth of global output, will not manage any growth this year.

■ Singapore core inflation at 3-year high of 3.5%

Consumer price inflation eased to 4.8% last month from 5.5% in December, but core inflation, which strips out accommodation and private transport costs, soared to a three-year high of 3.5% due to January 2011's low base after radio and TV license fees were scrapped as well as a seasonal uptick in food prices during CNY. The official 2012 forecast is for 2.5%-3.5% headline inflation and 1.5%-2% core inflation.

■ US Jobless claims hold steady at 4-year low

Americans filing new claims for jobless benefits last week held at the lowest level since the early days of the 2007-2009 recession, signaling that the battered labour market is healing. Workers filed 351,000 initial claims for state unemployment benefits, the same as in the prior week. The last two weekly readings for claims were the lowest since March 2008 with unemployment rate at 8.3% in January.

■ US consumer sentiment edges up to year high in February

The Thomson Reuters/University of Michigan's final reading of the consumer sentiment index was 75.3, up from 75.0 the month before. It was the highest level since February 2011 exceeding expectations of 73.0 and up from a decline to 72.5 in February's preliminary reading.

Market Snapshot

Selected Equity Indices	Last (Feb 24)	1-week return	Year-to-date return
Dow Jones Industrial Average	12,982.95	0.25%	6.26%
S&P 500 Index	1,365.74	0.33%	8.60%
FTSE 100 Index	5,935.13	0.51%	6.51%
Euro Stoxx 50	2,523.69	0.13%	8.94%
Nikkei 225	9,647.38	2.80%	14.10%
Hang Seng Index	21,406.86	-0.39%	16.12%
Shanghai SE Composite	2,439.63	3.50%	10.92%
BSE Sensex Index	17,923.57	-2.00%	15.97%
Straits Times Index	2,978.08	-0.75%	12.54%

Source: Bloomberg

Week Ahead

Economic Calendar (Selected Events)				
Mon, Feb 27	Tue, Feb 28	Wed, Feb 29	Thu, Mar 1	Fri, Mar 2
Pending Home Sales Index	<i>Durable Goods Orders</i>	<i>GDP</i>	Motor Vehicle Sales	
Dallas Fed Mfg Survey	S&P Case-Shiller HPI	Chicago PMI	<i>Jobless Claims</i>	
	Consumer Confidence	EIA Petroleum Status Report	<i>Personal Income and Outlays</i>	
		Beige Book	<i>ISM Mfg Index</i>	
			Construction Spending	

Red: Market moving indicator

Black: Merits extra attention

Source: Bloomberg

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