

Monday, 12 March 2012

Weekly Update

Headlines

- [Greece eyes elections after debt deal](#). *Reuters.com*, 10 Mar 2012
- [Greece eyes 1 billion euro stimulus from EIB: PM adviser](#). *Reuters.com*, 10 Mar 2012
- [Greece deal triggers \\$3 billion in Default Swaps: ISDA](#). *Bloomberg.com*, 10 Mar 2012
- [IMF scales back aid to Greece in nation's 2nd rescue package](#). *Bloomberg.com*, 10 Mar 2012

Weekly Review (for week ending 09 March 2012)

■ China targets 7.5% GDP growth in 2012 as Euro crisis slows exports

China's government will target economic growth of 7.5% this year, the lowest goal since 2004, suggesting leaders will tolerate slower expansion while they try to reduce the nation's reliance on exports. By cutting the 8% goal maintained from 2005 to 2011 Wen is signalling the ruling Communist Party is determined to shift the makeup of growth toward consumption and away from exports and investment. Wen and fellow officials are also preparing to begin a once-in-a-decade handover of power later this year to a new set of leaders. China was the largest contributor to global GDP growth in 2010 as it surpassed Japan to become the world's second-largest economy, after an average annual expansion of 10% for three decades lifted more than 600 million people out of poverty, according to the World Bank.

■ Manufacturing sector in Singapore expands in Feb

After seven continuous months of contraction, Singapore's manufacturing sector recorded an expansion in February, with the Purchasing Managers' Index (PMI) posting a reading of 50.4, an increase of 1.7 points over January's 48.7. There are encouraging signs that the manufacturing sector is turning a corner. Overall new orders and new export orders bounced back, reflecting more positive business and consumer sentiments. New order intakes for the electronics sector have expanded further in domestic and overseas markets. The PMI is a key barometer of Singapore's manufacturing sector, which accounts for about a quarter of total GDP.

■ Eurozone growth revised down to 1.4% in 2011

The eurozone economy slowed at the end of last year and is now in a "mild recession", EU officials said on Tuesday. The latest data and comment from the European Union point to a so-called double-dip recession within three years for the 17-nation eurozone, still struggling to overcome the debt crisis which has badly hit confidence. The economy grew by 1.4%, less than the previously estimated 1.5% growth, and an expansion of 1.9% in 2010. On a quarter-on-quarter basis, growth shrank by 0.3% in Q4 after a downward revised growth of 0.1% for Q3. Only three of the 17 countries sharing the euro saw growth in the Q4 -- Slovakia with 0.9%, France with 0.2% and Finland at 0.1%.

■ Australia Q4 GDP growth slows to 0.4% Quarter-on-Quarter

The Australian economy grew at a slower pace than expected last year. Australian Bureau of Statistics reported GDP growth of 2.3% last year on a seasonally adjusted basis, which was slightly less than expectations of 2.4% growth. GDP rose 0.4% *qtr/qtr* in Q4 compared with a revised 0.8% (from +1.0%) growth in Q3. Treasurer Wayne Swan said the result was "somewhat softer" than anticipated and reflected "patchiness" in an economy that was going through structural change. The ABS said the main contributors to growth in the quarter were household spending, net exports and a build-up of stocks, while a fall in home and business investment offset those contributions.

■ Japan Q4 GDP revised to -0.2% Quarter-on-Quarter from -0.6%; current account in red

Japan's economy shrank less than initially estimated in the fourth quarter as companies ramped up capital expenditure. Q4 growth was revised to 0.2% contraction, compared with an initial reading of a 0.6% drop. On an annualised basis, the economy shrank 0.7%, less than a preliminary 2.3% annualised contraction, data showed on Thursday. The current account balance swung to a record deficit of 437.3 billion yen in January, deeper than the median estimate for a 317.8 billion yen deficit. The trade balance is likely to stay in deficit this year as Japan imports more energy to offset the declining use of nuclear power.

■ China Feb inflation slows to a 20-month low of 3.2%

China's annual inflation slowed sharply to a 20-month low of 3.2% in February compared with 4.5% in January as food price pressures eased after the Lunar New Year holiday, giving it room to loosen monetary policy if needed. The market was expecting 3.4% year/year. Premier Wen Jiabao warned consumer prices remained high and the government's aim was to keep inflation within 4.0% this year.

■ Greece averts immediate default, markets sceptical

Greece averted the immediate threat of an uncontrolled default on Friday, winning strong acceptance from its private creditors for a bond swap deal. The Greek finance ministry said creditors had tendered 85.8% of the 177 billion euros in bonds regulated by Greek law. This would reach 95.7% of all privately-held Greek debt with the use of "collective action clauses" to enforce the deal on creditors who refused to take part voluntarily. On the grey market, indicated prices for the new bonds which will be issued on Monday fell far below its face value. Traders were quoting yields of 17-21%, far above Portuguese levels around 11-14%, showing scepticism on Greece's repayment ability.

■ US economy adds 227,000 jobs, jobless rate unchanged

The US added 227,000 jobs in February against expectation of 210,000 showing the strongest three months of job growth since the Great Recession. The Labour Department said Friday that December and January, already two of the best months for jobs since the recession, were even stronger than first estimated. It added 61,000 jobs to its total for those two months combined. Unemployment stayed at 8.3%.

Market Snapshot

Selected Equity Indices	Last (Mar 9)	1-week return	Year-to-date return
Dow Jones Industrial Average	12,922.02	-0.43%	5.77%
S&P 500 Index	1,370.87	0.09%	9.01%
FTSE 100 Index	5,887.49	-0.40%	5.66%
Euro Stoxx 50	2,515.95	-1.19%	8.61%
Nikkei 225	9,929.74	1.56%	17.44%
Hang Seng Index	21,086.00	-2.21%	14.38%
Shanghai SE Composite	2,439.46	-0.86%	10.91%
BSE Sensex Index	17,503.24	-0.76%	13.25%
Straits Times Index	2,963.15	-1.01%	11.97%

Source: Bloomberg

Week Ahead

Economic Calendar (Selected Events)				
Mon, Mar 12	Tue, Mar 13	Wed, Mar 14	Thu, Mar 15	Fri, Mar 16
Treasury Budget	<i>Retail Sales</i>	Import and Export Prices	<i>Jobless Claims</i>	<i>Consumer Price Index</i>
	Business Inventories	EIA Petroleum Status Report	<i>Producer Price Index</i>	<i>Industrial Production</i>
	<i>FOMC Meeting Announcement</i>		Empire State Mfg Survey	Consumer Sentiment
			Treasury International Capital	
			<i>Philadelphia Fed Survey</i>	

Red: Market moving indicator

Black: Merits extra attention

Source: Bloomberg

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