

## Headlines

- [Global economy on recovery path, risks remain: IMF chief](#). Reuters.com, 18 Mar 2012
- [China yuan could be reserve currency with reform: IMF](#). Reuters.com, 18 Mar 2012
- [Home Sales probably increased in February: US Economy Preview](#). Bloomberg.com, 18 Mar 2012
- [Consumer Prices in US rose in February as Gasoline jumped](#). Bloomberg.com, 16 Mar 2012

## Weekly Review (for week ending 16 March 2012)

### ■ EU ministers okay Greece bailout, pressure Spain

Eurozone finance ministers gave their final approval to a second bailout for Greece and turned their fire on Spain, demanding it aim for a tougher deficit target this year in order to get back on target in 2013. Thanks to a high take-up of the bond swap offer, Greece's debt would fall below a target of 120% of GDP in 2020, reaching 117%, from 160% now. As Greece's financial problems have lost some urgency, Spain has raised a new challenge. Spain was supposed to cut its deficit to 4.4% of GDP this year, but said it would only aim for 5.8% as it heads into recession. Its deficit in 2011 was 8.5%, far above a 6.0% goal. The EU said Spain should strive for a 5.3% deficit target this year, cutting it some slack from the initial goal but keeping the pressure on.

### ■ German investor confidence surges to a 21-month high

German investor confidence jumped to a 21-month high in March after the ECB flooded financial markets with cash and the sovereign debt crisis showed signs of abating. The ZEW Centre for European Economic Research in Mannheim said yesterday its index of investor and analyst expectations, which aims to predict economic developments six months in advance, advanced to 22.3 from 5.4 in February. That's the fourth straight increase and the highest reading since June 2010.

### ■ UK trade gap widens less than forecast in January

The UK trade deficit widened less than economists forecast in January as exports to countries outside the European Union rose to record levels, boosted by shipments of cars and oil. The goods-trade gap widened to £7.53 billion from a revised £7.18 billion in December, which was the least since December 2009, the Office for National Statistics said Tuesday in London. Britain's trade deficit with non-EU countries rose to £3.68 billion in January, the highest since records began in January 1998, driven by exports of cars to the US, Russia and China.

### ■ US February retail sales rise the most in five months

US retail sales posted their largest gain in five months in February, with Americans feeling confident enough to buy more cars and other goods even as they paid more for gasoline. In the latest sign of improvement in the US economy's prolonged recovery from the 2007-2009 recession, sales rose 1.1% last month, the Commerce Department said on Tuesday, after a 0.6% increase in January. So-called core retail sales, which exclude autos, gasoline and building materials, were up 0.5% after advancing 1.0% in January. Core sales correspond most closely with the consumer spending component of the government's GDP report.

### ■ Fitch upgrades Greece, says debt swap cuts default risk

Greece's credit rating was lifted out of the default category by Fitch Ratings on optimism that a debt swap will reduce the risk that the country eventually reneges on its obligations. Greece was raised four levels to B- from restricted default and given a stable outlook by Fitch. New government bonds have a B rating, while debt that is not governed by Greek law has a C rating pending settlement on April 11.

### ■ Inflation weighs on eurozone in February as factories recover

Energy prices drove up the cost of living in the eurozone in February just as factories showed signs of a recovery, likely dragging on the stagnant economy and dampening any sense of relief that Europe's debt crisis is easing. Energy costs were 9.5% higher in February than the same month a year ago, breaking a fall in eurozone inflation and pushing consumer prices up to 2.7% in the month. Tensions between the West and Iran over its nuclear programme have driven up world oil prices, even as economic growth in the global economy cools.

### ■ US Current-account deficit in Q4 hits 3-year high of US\$124.1 billion

The current-account deficit in the US widened more than forecast in the fourth quarter to US\$124.1 billion, the biggest in three years. The gap grew 15% from a revised US\$107.6 billion shortfall in the prior quarter that was smaller than initially estimated. There's a fairly good chance that the deficit will widen again because imports are on track to outpace exports. The gap for all of 2011 widened to US\$473.4 billion, or 3.1% of GDP, from US\$470.9 billion a year earlier.

### ■ Singapore: Feb NODX up 30.5%, Jan retail sales up 1.7%, unemployment rate lowest in 14 years

Singapore's February NODX grew 30.5% year-on-year, partly due to the 2012 Chinese New Year holiday falling in January and the 2011 holiday taking place in February. Stripping out the CNY effect, NODX rose about 13% from a year earlier. Electronics exports jumped 23.3% and pharmaceuticals soared 44.5% in February from a year earlier. January retail sales rose 1.7% buoyed by stronger tourist arrivals, reflecting a recovery in consumer confidence locally and overseas. The consensus was for retail sales to fall 1.3% in January. The strongest growth in sales came from the F&B sector, which recorded 15.6% growth. Tourist arrivals in Singapore rose 13.4% year-on-year in January and this helped to spur the sale of luxury goods. The Ministry of Manpower confirmed a 2011 unemployment rate of 2%, Singapore's lowest in 14 years. While the tight labour market pushed average monthly wages 6% higher last year, a faster gain than 2010's 5.6%, inflation eroded most of this gain. Real average wages rose 0.7%, down from the 2.7% gain in 2010.

## Market Snapshot

Selected Equity Indices	Last (Mar 16)	1-week return	Year-to-date return
Dow Jones Industrial Average	13,252.76	2.56%	8.47%
S&P 500 Index	1,402.60	2.31%	11.53%
FTSE 100 Index	5,940.72	0.90%	6.61%
Euro Stoxx 50	2,608.30	3.67%	12.59%
Nikkei 225	10,119.06	1.91%	19.68%
Hang Seng Index	21,317.85	1.10%	15.64%
Shanghai SE Composite	2,376.52	-2.58%	8.05%
BSE Sensex Index	17,814.09	1.78%	15.26%
Straits Times Index	3,021.21	1.96%	14.17%

Source: Bloomberg

## Week Ahead

Economic Calendar (Selected Events)				
Mon, Mar 19	Tue, Mar 20	Wed, Mar 21	Thu, Mar 22	Fri, Mar 23
Housing Market Index	<i>Housing Starts</i>	<i>Existing Home Sales</i>  EIA Petroleum Status Report	<i>Jobless Claims</i>	<i>New Home Sales</i>

Red: Market moving indicator

Black: Merits extra attention

Source: Bloomberg

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