

## Headlines

- [Tough, pro-Beijing Leung Chun-Ying to lead wary Hong Kong](#). *Reuters.com*, 25 Mar 2012
- [Optimistic on Greece, says EU task force boss](#). *Reuters.com*, 24 Mar 2012
- [Orders probably picked up with spending: US economy preview](#). *Bloomberg.com*, 25 Mar 2012
- [China Banks said to underestimate local government risks](#). *Bloomberg.com*, 24 Mar 2012

## Weekly Review (for week ending 23 March 2012)

### ■ China Feb home prices is worst in a year

IMF official Zhu Min said China will avoid an economic hard-landing even as government data on Monday showed property prices falling in most of the nation's biggest cities. Prices of new apartments fell in 45 of 70 cities in February from January. February home prices in Beijing and Shanghai fell 0.1% and 0.2% from January. Premier Wen Jiabao has prolonged a crackdown on real-estate speculation to reduce the risk of asset-price bubbles and make housing affordable, telling lawmakers this month that prices remain far from "reasonable".

### ■ China increases fuel prices second time in two months

China, the world's largest oil consumer after the US, increased gasoline and diesel prices for the second time in less than six weeks after crude had its biggest monthly gain in a year. China's biggest refiners, Sinopec and PetroChina, have urged the government to increase fuel prices to stem their processing losses amid rising global crude costs. After controlling tariffs last year to curb inflation, the government now has more room to manoeuvre after consumer prices grew at the slowest pace in 20 months. Fuel charges last increased on Feb 8, by 300 yuan a ton, the first gain in 10 months. Prices were increased by a further 600 yuan a metric ton on Tuesday midnight.

### ■ US new building permits surge 5.1% in February even as "housing starts" slipped

Permits for US homebuilding neared a 3-1/2 year high in February, even as groundbreaking activity (housing starts) slipped, suggesting a nascent recovery in the housing market was still on track. New building permits surged 5.1% to a seasonally adjusted annual rate of 717,000 units last month, the Commerce Department said Tuesday. It was the highest rate since October 2008 and far exceeded economists' expectations for an advance to a 690,000-unit pace from January's 682,000-unit rate. Housing starts slipped 1.1% to a rate of 698,000 units. January's starts were revised up to a 706,000-unit pace from a previously reported 699,000 unit rate.

### ■ US existing home sales show surprise dip, but prices rise

Existing home sales fell 0.9% in February to a seasonally adjusted annual rate of 4.59 million from January but still notched their second highest level since May 2010, the National Association of Realtors said on Wednesday. Meanwhile, January's annualised sales pace was revised upward to 4.63 million from an originally reported 4.57 million. Despite the weak sales pace last month, the median home price rose 0.3% from a year ago to \$156,600 – the first yearly increase since November 2010 – adding to signs of a budding recovery.

### ■ China factory activity shrinks for 5th month: HSBC flash PMI

China's manufacturing sector activity shrank in March for a fifth successive month, with the overall rate of contraction accelerating and new orders sinking to a four-month low. The HSBC flash PMI released Thursday, fell from February's four-month high of 49.6 to 48.1. Slowing activity could mean a further relaxation of monetary policy to help underpin growth in the world's second biggest economy, but lingering inflation risks uncovered by the survey highlight the dilemma facing China's policymakers who are determined to keep a lid on prices.

### ■ Spain's borrowing costs above 5.5% amid fresh deficit fears

Spain's borrowing costs rose above 5.5% for the first time since January as investors fretted about another escalation of the eurozone crisis amid signs of further economic weakening even in Germany. Investors, already nervous about Spain's deficit and weak growth prospects, pushed Spain's benchmark 10-year bond yields up 14bp to as high as 5.53%. Italy's borrowing costs also rose with the yield on its 10-year bond breaking through 5%. Purchasing manager's surveys revealed unexpected declines in eurozone manufacturing and services activities in March, hit by a sharp fall in French and German factory activity.

### ■ Singapore inflation slows to 4.6% but remains elevated

CPI inflation in Singapore continued to ease on a y/y basis, to 4.6% in February from 4.8% in January, and fell 0.3% on a m/m basis. This was lower than market estimates of 4.9% y/y and 0.1% m/m. On a m/m basis, food, transport and recreation costs decreased 0.7%, 1.4% and 0.3%. Core inflation which excludes accommodation and private road transport costs moderated to 3.0% y/y from 3.5% y/y in January.

### ■ US jobless claims at 4-year low, lift recovery hopes

Initial claims for state jobless benefits fell 5,000 to a seasonally adjusted 348,000, the lowest level since February 2008, the Labour Department said on Thursday. Economists had forecast claims rising to 354,000 last week. The unemployment rate remained at 8.3%.

### ■ US new home sales slip, prices at 8-month high

Sales of new homes in the US slipped for the second straight month in February but the median price of homes sold picked up sharply, rising US\$18,000 to US\$233,700, suggesting some strength in the market despite the slower pace of homes sold. Sales slipped 1.6% to a seasonally adjusted 313,000-unit annual rate, the lowest since October.

## Market Snapshot

Selected Equity Indices	Last (Mar 23)	1-week return	Year-to-date return
Dow Jones Industrial Average	13,080.73	-1.30%	7.06%
S&P 500 Index	1,397.11	-0.39%	11.09%
FTSE 100 Index	5,854.89	-1.44%	5.07%
Euro Stoxx 50	2,525.43	-3.18%	9.02%
Nikkei 225	10,011.47	-1.06%	18.40%
Hang Seng Index	20,668.80	-3.04%	12.12%
Shanghai SE Composite	2,349.54	-1.14%	6.83%
BSE Sensex Index	17,361.74	-2.54%	12.34%
Straits Times Index	2,990.08	-1.03%	12.99%

Source: Bloomberg

## Week Ahead

Economic Calendar (Selected Events)				
Mon, Mar 26	Tue, Mar 27	Wed, Mar 28	Thu, Mar 29	Fri, Mar 30
Pending Home Sales Index	S&P Case-Shiller HPI	<i>Durable Goods Orders</i>	<i>GDP</i>	<i>Personal Income and Outlays</i>
Dallas Fed Mfg Survey	Consumer Confidence	EIA Petroleum Status Report	<i>Jobless Claims</i>	Chicago PMI
				Consumer Sentiment

Red: Market moving indicator

Black: Merits extra attention

Source: Bloomberg

## Disclaimers

The information herein is given on a general basis without obligation and is strictly for information purposes only. It is not intended as an offer or solicitation with respect to the purchase or sale of any investment or insurance product mentioned herein. Nothing herein should be construed as a recommendation or advice to transact in any investment or insurance product mentioned herein.

Although every reasonable care has been taken to ensure the accuracy and objectivity of the information contained in this publication, United Overseas Bank Limited ("the Company") and its employees cannot be held liable for any errors, inaccuracies or omissions, howsoever caused, or for any decision or action taken based on the information or views expressed in this publication. The Company does not warrant the accuracy, adequacy, timeliness or completeness of the information herein for any particular purpose, and expressly disclaims liability for any errors, inaccuracies or omissions. Any opinions, projections and other forward-looking statements regarding future events or performance of, including but not limited to, countries, markets or companies are not necessarily indicative of, and may differ from actual events or results.

The information herein has no regard to the specific objectives, financial situation and particular needs of any specific person. Investors may wish to seek advice from an independent financial advisor before investing in any investment or insurance product. Should you choose not to seek such advice, you should consider whether the investment or insurance product in question is suitable for you.