

Headlines

- [Greek PM, incoming finance minister to miss EU summit](#). *Reuters.com, 24 Jun 2012*
- [World presses EU summit for lasting remedy to sickly euro](#). *EUbusiness.com, 24 Jun 2012*
- [Greece seeks at least two-year extension to bailout goals](#). *Bloomberg.com, 23 Jun 2012*
- [Consumer spending probably stalled in May: US Economy Preview](#). *Bloomberg.com, 24 Jun 2012*

Weekly Review (for week ending 22 June 2012)

■ Sigh of relief at Greek vote, coalition government needs forming

Greece's conservatives were close to forming a new coalition government following a narrow election victory last Sunday. A party official said their leader promised to soften the country's punishing austerity programme despite German opposition. A relief rally on financial markets after Sunday's vote quickly fizzled out as it became clear that the New Democracy party of Antonis Samaras had failed to win a strong mandate to implement the big spending cuts and tax increases demanded by the European Union and the IMF under a bailout deal.

■ Singapore investor confidence up in Q2

Investor confidence in Singapore has increased in Q2, according to an Investor Attitudes report by Friends Provident International (FPI), which was based on an online interview survey by ICM Research covering 1,000 investors. The report showed a five-point increase to 17 in the Friends Investor Attitudes Index for Singapore since the last survey in Q1. This came after two waves of decline. Furthermore, 42% of respondents predicted improvements in investment markets in six months, up from 30% in Q1. The increase in investor confidence is seen by a rebound in equities/shares, currency markets and property since their decline last year.

■ Don't expect China to bail out the world

Premier Wen Jiabao has an unspoken message to his G20 counterparts in Mexico: *This time, don't count on a growth bailout from China*. In the depths of the 2008 credit crunch, his four trillion yuan (\$801 billion) fiscal injection over two years and 17.6 trillion yuan credit surge helped prop up the global economy. In China, it fuelled a property bubble, stoked inflation and amassed bad debts that Fitch Ratings says weakened the banking system. Unlike in 2008, its investments today are strategically focused to engineer better quality growth.

■ Greek leaders strike deal on 3-way coalition

Greek political leaders struck an agreement on a governing coalition that will seek relief from austerity measures tied to emergency loans, with New Democracy head Antonis Samaras as the prime minister. New Democracy, which won a June 17 election with almost 30% of the vote, will join forces with the socialist Pasok party, which finished third, and the sixth-place Democratic Left. They will hold 179 seats in the 300-member Parliament. National Bank of Greece chairman Vassilis Rapanos will be appointed as finance minister.

■ US Federal Reserve weakened its growth outlook

The US economy grew at only a 1.9% annual rate in Q1, a pace too slow to lower unemployment; and economists expect it to do little better in Q2. Fed Chairman Ben Bernanke, speaking at a news conference after a two-day FOMC meeting, said the Fed was concerned Europe's prolonged debt crisis was dampening US economic activity and employment. The Fed slashed its estimates for US economic growth this year to a range of 1.9% – 2.4%, down from an April projection of 2.4% – 2.9%. It cut forecasts for 2013 and 2014, as well.

■ US Fed FOMC: Operation Twist extended by US\$267 billion for 2012

The Fed announced that it will extend its *Operation Twist* by US\$267 billion till end of 2012 while maintaining its policies of "reinvesting principal payments from its holdings of debt and of rolling over maturing Treasury securities at auction". Since September 2011, the Fed has been selling US\$400 billion in shorter-term Treasury securities and re-investing the proceeds in longer-term bonds. The Fed reaffirmed the Fed Funds Target Rate (FFTR) will be kept unchanged at 0% – 0.25% "at least thorough late 2014".

■ China manufacturing hits seven-month low in June

The HSBC Flash Purchasing Managers Index, the earliest monthly indicator of China's industrial activity, fell to a seven-month low of 48.1 in June from 48.4 in May on shrinking exports and weak domestic demand. That marked the eighth consecutive month that the HSBC PMI has been below 50, matching a similar streak during the much deeper slowdown during the global financial crisis of 2008-2009.

■ Eurozone business activity falls to lowest level since 2009

Eurozone private sector activity sank to the lowest level for three years in the second quarter as business sentiment deteriorated in the crisis-hit region. A Markit PMI survey stood at 46 points in June, the same as May, indicating another month of contraction. "The flash PMI for June rounded off the weakest quarter for three years, indicating Eurozone GDP is likely to have fallen by 0.6%," said Markit chief economist Chris Williamson on Thursday. "This suggests that firms are preparing for conditions to worsen in the coming months."

■ Eurozone big four promises 130 billion euros to boost growth

The leaders of the eurozone's four biggest economies met on Friday in Rome ahead of an EU summit and vowed measures to boost growth in the face of a relentless debt crisis. The leaders of Germany, France, Italy and Spain promises to kickstart growth in the bloc's floundering economies. French President Francois Hollande said the leaders had agreed to mobilise "1% of European GDP, that is 120 to 130 billion euros, to support growth"; a move that Germany's Angela Merkel hailed as "an important signal".

Market Snapshot

Selected Equity Indices	Last (Jun 22)	1-week return	Year-to-date return
Dow Jones Industrial Average	12,640.78	-0.99%	3.46%
S&P 500 Index	1,335.02	-0.58%	6.16%
FTSE 100 Index	5,513.69	0.64%	-1.05%
Euro Stoxx 50	2,186.81	0.26%	-5.60%
Nikkei 225	8,798.35	2.67%	4.06%
Hang Seng Index	18,995.13	-1.24%	3.04%
Shanghai SE Composite	2,260.88	-1.99%	2.79%
BSE Sensex Index	16,972.51	0.13%	9.82%
Straits Times Index	2,828.09	0.61%	6.87%

Source: Bloomberg

Week Ahead

Economic Calendar (Selected Events)				
Mon, Jun 25	Tue, Jun 26	Wed, Jun 27	Thu, Jun 28	Fri, Jun 29
<i>New Home Sales</i>	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	Pending Home Sales Index	<i>Jobless Claims</i>	Chicago PMI
		EIA Petroleum Status Report		Consumer Sentiment

Red: Market moving indicator

Black: Merits extra attention

Source: Bloomberg



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