

Headlines

- [European banks urge one-year delay for Basel III rules](#). *Reuters.com, 24 Nov 2012*
- [Retailers' Thanksgiving deals cut Black Friday sales](#). *Bloomberg.com, 25 Nov 2012*
- [Europe turns attention to unlocking Greek aid](#). *Bloomberg.com, 25 Nov 2012*
- [Spending probably cooled, investment fell: US Economy Preview](#). *Bloomberg.com, 25 Nov 2012*

Weekly Review (for week ending 23 November 2012)

■ US housing recovery gains traction, home-builder sentiment at 6½-year high

Existing home sales rose in October and a gauge of homebuilder sentiment climbed to a 6½-year high in November. The National Association of Realtors said on Monday that existing home sales climbed 2.1% in October to a seasonally adjusted annual rate of 4.79 million units, up from a downwardly revised 4.69 million in September, showing signs of surprising vigour in the struggling housing market. The National Association of Home Builders said its sentiment index rose to 46, from 41 in October, the highest since May 2006, just before the housing bubble burst. The index has been rising since October 2011, when it was 17.

■ Moody's strips France of triple-A rating with one-notch cut, citing deteriorating growth outlook

Moody's downgraded France sovereign debt rating by one notch to Aa1 (from Aaa) and said that the outlook remains negative. This means a further downgrade in the next 12-18 months is possible if it is unable to come up with credible plans to deal with its structural problems and improve its fiscal outlook. S&P had also downgraded France in January and this is a blow to French President Hollande despite his efforts to increase taxes to reduce the French budget deficit. The French public debt is expected to peak in 2013 at 91% of GDP according to its 2013 budget estimates. Moody's said it was keeping a negative outlook on France due to structural challenges and a "sustained loss of competitiveness" in the country, where business leaders blame high labour charges for flagging exports.

■ Bank of Japan puts more stimulus on hold, keeps rates unchanged

The Bank of Japan held off launching fresh easing measures on Tuesday, despite growing calls for further stimulus to spur the economy and as it warned of a "high degree of uncertainty". As expected, BoJ refrained from adding more monetary stimulus in November ahead of the upcoming snap elections on 16 December. The last policy meeting of 2012 takes place on 20 December and will be interesting to watch as it comes just days after the Japanese elections and could spring some surprise easing or even unconventional measures from the BoJ. In its previous policy meeting at the end of October, the BoJ expanded its asset purchase program by ¥11 trillion (to the current ¥91 trillion) and introduced a new unlimited facility to encourage banks to lend more.

■ US new home starts jump to fastest pace in 4 years

US house builders started construction last month on the most homes and apartments since July 2008, more evidence that the housing recovery is gaining momentum. The Commerce Department said Tuesday that builders broke ground on homes in October at a seasonally adjusted annual rate of 894,000 – a 3.6% gain from September. Applications for building permits, a sign of future construction, fell 2.7% to 866,000, after jumping 12% in September to a four-year high. Housing starts are 87% above the annual rate of 478,000 in April 2009, the recession low. That's still short of the 1.5 million annual rate considered healthy. Though new homes represent less than 20% of the housing sales market, they have an outsized impact on the economy. Each home built creates an average of three jobs for a year and generates about US\$90,000 in tax revenue, according to data from the home builders group.

■ Japan's exports reach 3-year low as recession looms, October deficit worst in 30 years

Japan is suffering its worst year for exports since the global contraction in 2009 as Europe's crisis, China's slowdown and a diplomatic dispute with the Chinese hurt manufacturers and deepen the risk of a recession. Shipments totalled 53.5 trillion yen (US\$653 billion) for January through October, down 2.3% from the same period in 2011, according to data from Finance Ministry figures released Wednesday. The trade deficit for 2012 so far is a record 5.3 trillion yen. Exports in October fell for a fifth month, down 6.5% from a year earlier and leaving a trade deficit of 549 billion yen, the worst in 30 years. Exports to the EU fell 20.1% on year, while those to the US were up 3.1%.

■ HSBC China November PMI turns bullish; highest in 13 months

The China HSBC Flash Manufacturing PMI rose to a 13-month high of 50.4 in November from 49.5, the latest indicator of recovery in the real economy after data showing solid credit growth, firmer exports and rising industrial output in the previous month. The reading above 50 is seen as a turning point by the market, particularly if it is born out by the final reading due on December 1 and by official indicators.

■ Singapore inflation dips to 4% in October, but set to stay high into 2013

Inflation eased to a lower-than-expected 4% in October from 4.7% in September due to smaller increases in the cost of housing and cars. But beneath the numbers, price pressures remain elevated. On a month-on-month basis, the CPI fell 0.2% in October, after rising 0.6% in September. Core inflation which excludes private transport and housing fell to 2.2% in October from 2.4% in September.

■ EU's €1-trillion budget summit ends in failure

Talks on the EU's €1-trillion euro budget ended in deadlock Friday as leaders of the bloc's 27 member states failed to overcome seemingly irreconcilable differences on how to reduce spending. The main obstacle at the summit was British Prime Minister David Cameron's demand for reductions in the budget, adding that "the most virulent" countries seeking cuts were Britain, Sweden and the Netherlands.

Market Snapshot

Selected Equity Indices	Last (Nov 23)	1-week return	Year-to-date return
Dow Jones Industrial Average	13,009.68	3.35%	6.48%
S&P 500 Index	1,409.15	3.62%	12.05%
FTSE 100 Index	5,819.14	3.81%	4.43%
Euro Stoxx 50	2,557.03	5.34%	10.38%
Nikkei 225	9,366.80	3.80%	10.78%
Hang Seng Index	21,913.98	3.57%	18.88%
Shanghai SE Composite	2,027.38	0.63%	-7.82%
BSE Sensex Index	18,506.57	1.08%	19.75%
Straits Times Index	2,989.28	1.48%	12.96%

Source: Bloomberg

Week Ahead

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

Red: Market moving indicator

Black: Merits extra attention

Source: Bloomberg



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