

Headlines

- [Britain heading in the right direction - Cameron](#). *Reuters.com, 30 Dec 2012*
- [Senate leaders work to avoid New Year's "fiscal cliff"](#). *Reuters.com, 30 Dec 2012*
- [PBOC to control risks, seek appropriate financing growth](#). *Bloomberg.com, 29 Dec 2012*
- [Job market probably held gains in December: US Economy Preview](#). *Bloomberg.com, 30 Dec 2012*

Weekly Review (for week ending 28 December 2012)

■ Singapore November inflation at 2-year low of 3.6%; year-to-date still high at 4.6%

Singapore's November headline inflation reached 3.6% y/y (+0.1% m/m), lower than consensus estimates of 3.8% y/y and prior month's 4.0%. Core inflation, which excludes private road transport costs and accommodation, also declined slightly to reach 2.0% y/y from 2.2% a month ago. However, headline inflation in the first 11 months of this year averaged 4.6% y/y, with imputed rentals on owner-occupied accommodation and private road transport inflation averaging 9.0% y/y and 7.5% y/y respectively. Full year headline inflation is expected to come in slightly above 4.5%, before easing to 3.5%-4.5% in 2013; while core inflation will average 2.5% this year and 2%-3% in 2013.

■ Singapore manufacturing sector rebounds in November

Singapore's industrial production (IP) returned to growth in November with a 3.1% y/y expansion, lower than market expectations for a 5.0% increase but it was still a grateful rebound after two straight months of y/y contractions. On a seasonally-adjusted basis, IP grew for the second straight month and at a faster pace of 1.9% m/m in November (from 1.2% in October). The rebound was attributed to non-electronics clusters, biomedical (12.9% y/y) and transport engineering (4.0% y/y). The electronics cluster continued to exert its weakness on manufacturing although the pace of decline has slowed to -2.3% y/y (compared to -9.1% in October and -13.6% in September).

■ US home prices rise in October from previous year

US home prices rose in most major cities in October compared with a year ago, pushed up by rising sales and a decline in the supply of available homes. Higher prices show the housing market is improving even as it moves into the fall and winter, when sales traditionally slow. The S&P/Case-Shiller national index measuring prices in 20 cities rose 4.3% in October, up from a 3% annual gain in September. Prices rose in October from a year ago in 18 of 20 cities, but fell in 12 of 20 cities compared with the peak buying season of September.

■ US to reach debt limit on New Year's eve

The US government will reach its statutory US\$16.39 trillion debt limit -- a ceiling imposed by Congress -- on Monday. Treasury Secretary Timothy Geithner said Wednesday, the treasury would take "extraordinary measures" to postpone the day the US could default on its liabilities, but could not say how long it had. He said the extraordinary measures -- halting the issuance of securities to state and local governments -- could create approximately US\$200 billion in headroom that under normal circumstances would last about two months. Geithner's letter came as the White House and Republican lawmakers were locked in an impasse about the "fiscal cliff," a package of steep tax hikes and spending cuts that are due to take effect in January. Already in mid-2011, Washington went through a vicious political battle over raising the debt ceiling. In the end, the fight culminated in the poison pill compromise that has become the fiscal cliff.

■ US consumer confidence hits four-month low in December

US consumer confidence fell to a four-month low in December as a looming budget crisis sapped what had been a growing sense of optimism about the economy. The Conference Board sentiment index fell to 65.1 from a downwardly revised 71.5 in November. Economists had expected a reading of 70. The group's gauge of expectations for the next six months decreased to 66.5, a one-year low, from 80.9. The measure of present conditions climbed to 62.8 this month, the highest since August 2008, from 57.4 in November.

■ US labour market and housing strengthen into 2013

The labour market and housing strengthened, signaling the US expansion may withstand the fiscal impasse. Applications for unemployment insurance payments fell by 12,000 to 350,000 in the week ended December 22, bringing the average over the past month to the lowest level in more than four years, Labour Department figures showed Thursday. The claims data indicate companies are seeing enough demand to maintain headcounts, a necessary development before hiring picks up. Purchases of new houses rose 4.4% in November to a 377,000 annual pace, the highest level since April 2010, according to data from the Commerce Department.

■ Italy's Monti to lead centrist coalition in February polls

Italian Prime Minister Mario Monti said "A new political movement is being formed," and he will lead a coalition of centrist political parties that support his agenda of fiscal rigor and pro-European policies in February elections, marking a de-facto bid for a second term. Monti's announcement, made at an impromptu press conference in Rome on Friday, takes his political role in the upcoming vote a step further after the former European commissioner said December 23 that he would consider leading a group of parties supporting his agenda.

■ French Q3 economy weaker than thought, while Hollande's flagship 75% top tax rate is overturned

The French economy expanded less than initially reported in Q3, signalling a recovery that may be too weak to help President Francois Hollande's government reduce unemployment that's at a 15-year high of 3.13 million. GDP rose 0.1%, half the pace estimated on November 15. Meanwhile, raising taxes to an eye-watering 75% for the highest earners - those on more than €1 million a year - was meant to take effect in the new year. But the Constitutional Council ruled that the new rate was excessive.

Market Snapshot

Selected Equity Indices	Last (Dec 28)	1-week return	Year-to-date return
Dow Jones Industrial Average	12,938.11	-1.92%	5.90%
S&P 500 Index	1,402.43	-1.94%	11.52%
FTSE 100 Index	5,925.37	-0.25%	6.34%
Euro Stoxx 50	2,626.85	-0.91%	13.39%
Nikkei 225	10,395.18	4.58%	22.94%
Hang Seng Index	22,666.59	0.71%	22.96%
Shanghai SE Composite	2,233.25	3.71%	1.54%
BSE Sensex Index	19,444.84	1.05%	25.82%
Straits Times Index	3,191.80	0.89%	20.61%

Source: Bloomberg

Week Ahead

Economic Calendar (Selected Events)				
Mon, Dec 31	Tue, Jan 1	Wed, Jan 2	Thu, Jan 3	Fri, Jan 4
Dallas Fed Mfg Survey	New Year's Day	PMI Manufacturing Index	ADP Employment Report	Employment Situation
		ISM Mfg Index	Jobless Claims	Factory Orders
		Construction Spending	EIA Petroleum Status Report	ISM Non-Mfg Index
		FOMC Minutes		

Red: Market moving indicator

Black: Merits extra attention

Source: Bloomberg



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