

Headlines

- ["Cliff" concerns give way to earnings focus](#). *Reuters.com, 05 Jan 2013*
- [Obama says US can't afford more showdowns over debt, deficits](#). *Reuters.com, 05 Jan 2013*
- [Lagarde says debt ceiling, euro crisis threaten global growth](#). *Bloomberg.com, 06 Jan 2013*
- [Plosser says Fed must defend 2% explicit target for inflation](#). *Bloomberg.com, 06 Jan 2013*

Weekly Review (for week ending 04 January 2013)

■ HSBC China manufacturing activity hits 19-month high

China's manufacturing activity surged to a 19-month high in December, HSBC said Monday, adding to signs of recovery in the world's second-largest economy. The year's final PMI hit 51.5, up from 50.5 in November when the figure returned to growth after 12 consecutive months of contraction. The December reading was better than a preliminary 50.9 announced earlier in December and marked the fourth straight month-on-month improvement, and is a closely watched barometer of the health of the economy. The Chinese government has forecast 2012 economic growth to come in at 7.5%, considerably lower than the 9.3% recorded in 2011 and 10.4% racked up in 2010.

■ Singapore technical recession averted with Q4 GDP up 1.8%

Singapore's economy performed better than expected in Q4 despite talks of a technical recession. The economy grew by 1.8%, an upturn from a revised contraction of 6.3% in Q3. It also grew at a modest pace of 1.1% on a year-on-year basis in the fourth quarter of 2012, an improvement from the flat growth in the previous quarter. For the whole of 2012, the economy is estimated to have grown by 1.2%, slightly lower than MTI's growth forecast of around 1.5%, as weakness in the manufacturing sector continued to weigh down on the economy. PM Lee on December 31 reiterated a forecast for the economy to grow 1%-3% in 2013 and adjust to a "new phase" of slower expansion.

■ US Congress finally averts fiscal cliff

After bitter New Year brinksmanship, the US Congress finally backed a deal to avert a "fiscal cliff" of tax hikes and massive spending cuts that had threatened to unleash economic calamity. The House of Representatives late Tuesday passed a deal between the White House and Republicans to raise taxes on the rich (individuals earning above US\$450k) and put off automatic US\$109 billion budget cuts for two months, lifting the clouds of immediate crisis. In the end, the House voted 257 votes to 167 to pass the original bill with minority Democrats joining a smaller number of majority Republicans to pass the legislation. The vote represented a win for Mr Obama as it raises taxes on the richest Americans in line with a re-election campaign promise - although above an income threshold higher than he and other Democrats had wanted. The deal also includes an end to a temporary 2% cut to payroll taxes for Social Security retirement savings - meaning all Americans will pay a little more - and changes to inheritance and investment taxes.

■ Manufacturing in Eurozone shows economic decline

Eurozone factories sank deeper into recession in December as new orders tumbled, a sharp contrast to continuing signs of revival in China. Purchasing managers' surveys in the 17-nation eurozone showed economic decline spread further into the core members, suggesting the overall economy may have slipped deeper into recession at the end of 2012. Markit's Eurozone Manufacturing PMI edged down to 46.1 in December from November's 46.2, below a flash reading of 46.3. It has been in contraction mode since August 2011.

■ US manufacturing activity expands in December

Manufacturing in the US grew last month, suggesting the global economy was on course for moderate growth this year, even as the eurozone looked set to sink deeper into recession. US factory activity rebounded in December after stumbling to a 40-month low in November, with new export orders growing for the first time since May. The ISM index of US manufacturing activity rose to 50.7 from 49.5 in November. The rebound offered hope that trade would soften some of the blow on the economy from tighter fiscal policy.

■ US jobless claims rise 10,000 to 372,000

New applications for US unemployment benefits jumped to a five-week high, partly reflecting the typical volatility seen during the holidays because of seasonal hiring patterns and the closure of government offices. Initial jobless claims climbed by 10,000 to a seasonally adjusted 372,000 in the week ended December 29. Claims from two weeks ago were revised upward to 362,000 from 350,000. The one-month average of claims that smooths out weekly volatility, inched up a scant 250 to 360,000. That's still near a four-year low, however.

■ German retail sales rise as jobless rate near record low

German retail sales rose in November as unemployment hovering at a two-decade low encouraged spending. Sales increased 1.2% from October, when they dropped 1.3%, against forecasts of a 0.8% gain. German unemployment increased less than economists predicted in December and the jobless rate held at 6.9% even as Europe's debt crisis curbed investment and spending. Business confidence improved for a second month in December after factory orders and exports rose, signalling the country is unlikely to slide into recession.

■ US Job growth cools a bit in December, as economy sputters

The pace of hiring by US employers eased slightly in December, pointing to a lacklustre pace of economic growth that was unable to make further inroads in the country's still high unemployment rate. Payrolls grew 155,000 last month, the Labour Department said Friday, in line with analysts' expectations and slightly below the level for November. The jobless rate in December remains unchanged from an upwardly revised 7.8% in November, down nearly 1% from a year earlier but still well above the average rate over the last 60 years of about 6%.

Market Snapshot

Selected Equity Indices	Last (Jan 04)	1-week return	2012 return
Dow Jones Industrial Average	13,435.21	3.84%	7.26%
S&P 500 Index	1,466.47	4.57%	13.41%
FTSE 100 Index	6,089.84	2.78%	5.84%
Euro Stoxx 50	2,709.35	3.14%	13.79%
Nikkei 225	10,688.11	2.82%	22.94%
Hang Seng Index	23,331.09	2.93%	22.91%
Shanghai SE Composite	2,276.99	1.96%	3.17%
BSE Sensex Index	19,784.08	1.74%	25.70%
Straits Times Index	3,225.22	1.05%	19.68%

Source: Bloomberg

Week Ahead

Economic Calendar (Selected Events)				
Mon, Jan 7	Tue, Jan 8	Wed, Jan 9	Thu, Jan 10	Fri, Jan 11
		EIA Petroleum Status Report	<i>Jobless Claims</i>	<i>International Trade</i>
				Import and Export Prices
				Treasury Budget

Red: Market moving indicator

Black: Merits extra attention

Source: Bloomberg



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