

## Headlines

- [US new home sales rise to three-year high in 2012](#). *Reuters.com, 26 Jan 2013*
- [China December industrial profits up 17.3% on year](#). *Reuters.com, 27 Jan 2013*
- [Merkel rebuffs Rajoy's call to do more to boost euro stimulus](#). *Bloomberg.com, 27 Jan 2013*
- [Job market probably kept making progress: US Economy Preview](#). *Bloomberg.com, 27 Jan 2013*

## Weekly Review (for week ending 25 January 2013)

### ■ Japan announces 2% inflation target and "open-ended" asset-purchase stimulus

Bank of Japan kicked off 2013 by announcing in a joint statement with the government more easing measures on Tuesday via an expected doubling of its inflation target to 2% and a surprise pledge to adopt an open-ended asset-purchase program starting in 2014 (starting with monthly buying of ¥13 trillion) after the ¥101 trillion programme ends in 2013. The new measures are aimed at lifting the world's third largest nation economy out of a long period of deflation. The next Bank of Japan policy decision is on 14 February.

### ■ China's RMB 850 billion deficit for 2012 slightly above target

China ran a fiscal deficit of RMB 850 billion last year, or 1.6% of GDP, the Finance Ministry said, slightly higher than the government's target of RMB 800 billion set in March last year, or 1.5% of GDP. Fiscal revenues rose 12.8% in the year to RMB 11.7 trillion while fiscal expenditure climbed 15.1% to RMB 12.6 trillion. Slower profit gains from companies and tax cuts reduced government revenue; tax revenues grew 12.1% in 2012, slowing from 22.6% growth in 2011, reflecting an economic slowdown in China's economy.

### ■ German investor confidence hits 3-year high

Investor sentiment in Germany has soared to the highest levels since the start of the eurozone debt crisis in 2010 as the outlook for Europe's top economy continues to brighten. The widely watched investor confidence index by the ZEW economic institute soared to 31.5 points in January from 6.9 points in December, its highest level since May 2010, when Greece had to be bailed out and the sovereign debt crisis began to unfold. The renewed rise in economic expectations shows that the economic outlook for Germany is improved for the next 6 months. Many of Germany's key trading partners remains weak and this means the German economy will grow only moderately in 2013.

### ■ Sales of existing homes in US drop in December

Sales of US existing homes unexpectedly dropped in December, restrained by the lowest supply of properties in more than a decade. Purchases fell 1% to a 4.94 million annual rate last month, figures from the National Association of Realtors showed Tuesday. The reading was still the second-highest since November 2009. Even with December's slip, 4.65 million homes were purchased for all of 2012, up 9.2% from 4.26 million in 2011, the most since 2007 and a sign the housing market is making steps toward recovery. Historically low mortgage rates, an improving job market and an increasing number of households will probably spur demand for housing this year.

### ■ Singapore December inflation at 4.3%, higher than estimates of 3.8%

Singapore's December headline inflation reached 4.3% y/y (+0.9% m/m), higher than consensus estimates of 3.8% y/y and November's 3.6%. However, core inflation, which excludes private road transport costs and accommodation, eased to 1.9% y/y, from 2.0% a month ago. Overall, Singapore's 2012 headline inflation averaged 4.6%, higher than the long term average, but lower than the 5.3% y/y back in 2011. However, it is to be noted that core inflation, at 2.5%, was higher than 2.2% reached in the previous year. The main reason was the 4.5% y/y increase in healthcare costs, together with a 3.4% y/y increase in education & stationery in 2012. In their outlook, the MAS expect imported inflation to remain benign due to weakness in global demand, although food prices would be vulnerable to risks of supply shocks. MAS expect 2013 headline inflation to come in at 3.5% - 4.5% while core inflation to average 2% - 3%.

### ■ IMF trims forecast for world economic growth

The IMF scaled back slightly its earlier forecast for global economic growth in 2013 but nevertheless presented a fairly benign outlook for the year in the light of receding crisis threats in various part of the world. Global growth should "strengthen gradually through 2013, averaging 3.5% on an annual basis". The is a small uptick from 3.2% in 2012, but is 0.1% lower than projected in the October 2012 World Economic Outlook. A further strengthening to 4.1% is projected for 2014, assuming recovery takes a firm hold in the euro area economy.

### ■ China HSBC flash PMI hits 2-year high in January

Growth in China's giant factory sector accelerated to a two-year high in January, as manufacturers received more local and foreign orders in an encouraging sign for the country's economic rebound. The HSBC flash purchasing managers' index (PMI) rose to 51.9 in January, the highest since January 2011, indicating that the economy is steadily recovering from a near two-year cool-down. HSBC said the sub-indices for output, new orders and employment that account for three quarters of the flash PMI all improved in January to hover above 50.

### ■ UK GDP shrank 0.3% in Q4, falls more than forecast

Britain's economy shrank more than expected in Q4 of 2012, coming closer to its third recession in four years, after lower output from the North Sea and manufacturers. The ONS said Friday that GDP fell 0.3% in Q4, more than the 0.1% decline expected. GDP grew by 0.9% in Q3. For the whole year, growth was flat. The news will be a blow for the Conservative-led government, which a day earlier defended its austerity programme against criticism from the IMF's chief economist. BoE Governor Sir Mervyn King expects no more than a "gentle recovery" this year, while last week the IMF cut its 2013 forecast for British economic growth to 1.0% from 1.1% predicted in October.

## Market Snapshot

Selected Equity Indices	Last (Jan 25)	1-week return	Year-to-date return
Dow Jones Industrial Average	13,895.98	1.80%	6.04%
S&P 500 Index	1,502.96	1.14%	5.38%
FTSE 100 Index	6,284.45	2.11%	6.56%
Euro Stoxx 50	2,744.18	1.28%	4.11%
Nikkei 225	10,926.65	0.12%	5.11%
Hang Seng Index	23,580.43	-0.09%	4.08%
Shanghai SE Composite	2,291.30	-1.11%	0.98%
BSE Sensex Index	20,103.53	0.32%	3.48%
Straits Times Index	3,269.31	1.81%	3.23%

Source: Bloomberg

## Week Ahead

Economic Calendar (Selected Events)				
Mon, Jan 28	Tue, Jan 29	Wed, Jan 30	Thu, Jan 31	Fri, Feb 1
<i>Durable Goods Orders</i>	S&P Case-Shiller HPI	ADP Employment Report	<i>Jobless Claims</i>	<i>Employment Situation</i>
Pending Home Sales Index	Consumer Confidence	<i>GDP</i>	<i>Personal Income and Outlays</i>	PMI Manufacturing Index
Dallas Fed Mfg Survey		EIA Petroleum Status Report	Employment Cost Index	Consumer Sentiment
		<i>FOMC Meeting Announcement</i>	Chicago PMI	<i>ISM Mfg Index</i>
				Construction Spending

Red: Market moving indicator

Black: Merits extra attention

Source: Bloomberg



For more reports, use your smartphone to scan the QR code

### 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.