

Headlines

- [EU leaders strike deal on long-term austerity budget](#). *Reuters.com, 09 Feb 2013*
- [US economy likely grew in fourth quarter](#). *Reuters.com, 08 Feb 2013*
- [China passes US to become world's biggest trading nation](#). *Bloomberg.com, 10 Feb 2013*
- [London home prices to increase 31% by decade's end, CEBR reports](#). *Bloomberg.com, 10 Feb 2013*

Weekly Review (for week ending 08 February 2013)

■ US January manufacturing continued to expand; factory orders up less than forecast in December

The New York ISM manufacturing survey (*Current Business Conditions* index) was a bright spot among the data released on Monday as the region's manufacturing sector exceeded expectations to record a strong reading of 56.7 in January versus forecast of just 53.0. December's reading was revised higher to 57.7. Separately, the December factory orders expanded by 1.8% m/m after a revised 0.3% contraction in November. However, this was still disappointing to the market which expected a stronger rebound of 2.3% m/m.

■ Singapore manufacturing PMI rises in January after string of contractions

Singapore's PMI jumped sharply to 50.2 in Jan from 48.6 in December, breaking a 6-month contraction and driven by orders and exports orders, though the electronics PMI came in shy of the 50 mark in January for a fourth straight month of declines, at 49.9 versus 46.6 in December. The positive Singapore reading followed surveys published over the weekend that showed US manufacturing growth quickened in January, while Chinese factories extended a modest rebound.

■ HSBC's China services PMI at 4-month high

Growth in China's services sector hit a four-month high in January as a better business climate increased deal-making and lifted corporate confidence to an eight-month peak. The HSBC services PMI rose to 54 last month, up from December's 51.7, moving more comfortably into territory above the 50-point threshold that separates accelerating from slowing growth. The survey's findings added to evidence that the world's second-biggest economy is gradually rebounding, with analysts expecting China's economic growth to inch up to 8.1% this year, off a 13-year low of 7.8% hit in 2012. Encouragingly, the survey showed service sector firms thought good times could last.

■ PBOC injects record RMB 450 billion into money markets

China's central bank injected a whopping RMB 450 billion into the money markets on Tuesday, the largest single-day injection on record, showing Beijing's increased confidence in its ability to use short-term precision tools to manage the money supply. The infusion of cash was made during ordinary open market operations, using 14-day reverse bond repurchase agreements, which will drain money back out of the system in two weeks. The PBOC has increasingly relied on such tools to maintain short-term liquidity and hold down interest rates, instead of making longer term adjustments such as cuts to bank reserve requirement ratios that regulators fear could provoke inflation.

■ US jobless claims fall, trend reading at near 5-year low

The number of Americans filing new claims for jobless benefits fell last week and a trend reading hit a near five-year low, pointing to ongoing healing in the labour market. Initial claims for state unemployment benefits dropped by 5,000 to a seasonally adjusted 366,000, the Labour Department said Thursday. The prior week's claims figure was upwardly revised by 3,000 more new claims. The four-week moving average for new claims, a gauge of the trend in layoffs, dropped 2,250 to 350,500, hitting the lowest level since March 2008.

■ EU leaders agree outlines of €960 billion budget

European Union leaders agreed the framework of a new long-term budget on Friday after 15 hours of through-the-night negotiation, laying the ground for €960 billion of spending on agriculture, aid and scientific research in the years ahead. The agreement would only be finalised later on Friday, strikes a tight balance between the demands of northern European countries such as Britain and the Netherlands that wanted a belt-tightening budget, and countries in the south and east such as France and Poland that wanted spending on farming subsidies and much-needed infrastructure. Around €12 billion would be cut from the last budget proposal, made at a summit in November when agreement eluded leaders, bringing the headline ceiling for spending down to €960 billion over the full 2014-2020 plan, a decrease of 3% on the last multi-annual framework - the first time a long-term spending plan has seen a net reduction in the EU's history.

■ China January trade surplus of US\$29.2 billion shows economic rebound intact

China's economic rebound was evident as the first hard economic numbers showed a surge in exports and imports that was not solely explained by the timing of the Lunar New Year holiday. Exports grew 25% year-on-year in January versus a forecast of 17%, while imports surged 28.8% to beat a consensus call of 23.3%. January's trade surplus was US\$29.2 billion versus a market expectation of US\$22 billion. Adjusted for 5 extra working days in January this year, exports rose 12.4% in January from a year ago while imports increased 3.4%, the customs administration said. The agency said last month that exports increased 14.1% in December and imports gained 6%.

■ Australia cuts GDP and inflation outlook due to strong currency and soft investment climate

The RBA reduced its economic growth and inflation forecasts as investment outside the mining industry remains elusive, the labour market softens and a high local currency contains prices. It predicted "below trend" 2013 growth of about 2.5%, compared with around 2.75% forecast in November. Consumer prices will rise 3% in the year to June 2013, compared with the 3.25% increase it had forecast earlier. The restrained outlook for prices gives scope for further rate cuts if needed to boost demand after pausing rates this month.

Market Snapshot

Selected Equity Indices	Last (Feb 8)	1-week return	Year-to-date return
Dow Jones Industrial Average	13,992.97	-0.12%	6.78%
S&P 500 Index	1,517.93	0.31%	6.43%
FTSE 100 Index	6,263.93	-1.31%	6.21%
Euro Stoxx 50	2,630.30	-2.94%	-0.21%
Nikkei 225	11,153.16	-0.34%	7.29%
Hang Seng Index	23,215.16	-2.14%	2.46%
Shanghai SE Composite	2,432.40	0.55%	7.20%
BSE Sensex Index	19,484.77	-1.50%	0.30%
Straits Times Index	3,270.30	-0.63%	3.26%

Source: Bloomberg

Week Ahead

Economic Calendar (Selected Events)				
Mon, Feb 11	Tue, Feb 12	Wed, Feb 13	Thu, Feb 14	Fri, Feb 15
	Treasury Budget	<i>Retail Sales</i>	<i>Jobless Claims</i>	Empire State Mfg Survey
		Import and Export Prices		Treasury International Capital
		Business Inventories		<i>Industrial Production</i>
		EIA Petroleum Status Report		Consumer Sentiment

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.