

Headlines

- [Moody's strips Britain of triple-A rating in major blow to Osborne](#). *Reuters.com*, 23 Feb 2013
- [Italians head to polls in crucial vote for eurozone](#). *Reuters.com*, 24 Feb 2013
- [China's new leaders plan first government overhaul in five years](#). *Bloomberg.com*, 24 Feb 2013
- [Factories in US probably expanded on capital spending](#). *Bloomberg.com*, 24 Feb 2013

Weekly Review (for week ending 22 February 2013)

■ Singapore's weak January NODX dragged by electronic exports

January NODX grew 0.5% y/y, better than the 16.3% decline seen a month earlier, as better performance in non-electronic NODX (+3.8%) outweighed the decline seen in electronic NODX (-5.6%). However, overall NODX was well below consensus estimates of 3.0%. Non-electronic NODX was dragged down by the 22.9% fall in pharmaceuticals exports, worse than the 11.5% decline in December 2012. On an m/m seasonally adjusted basis, NODX declined 1.8% in January, an improvement over the 4.2% contraction in the previous month.

■ Investor sentiment in Germany soars to near 3-year high

Economic expectations in Germany soared well past consensus forecasts in February, reaching the highest point in nearly three years, on optimism that the worst of the eurozone debt crisis is over. But economists warn that it is still too soon to bank on a strong and sustained recovery. The German ZEW Economic Sentiment Index, a broad measure of investor's views on the future health of the German economy, rose to 48.2 in February from 31.5 in January, beating estimates for 35.0. The news follows comments from the Bundesbank on Monday that Germany will avoid recession and return to growth in Q1 of this year. Germany's GDP slowed throughout 2012, growing by 0.5%, 0.3%, 0.2% & minus 0.6% for Q1-Q4, with the economy expanding by just 0.7% in 2012, compared with 3% in 2011.

■ Japan's January trade deficit hits record ¥1.63 trillion (\$21.6 billion)

Japan's trade deficit continues to surge, raising questions over the benefits of a weaker yen on export and import prices and over how long the country can live virtually without nuclear power and with soaring fuel imports. The trade deficit for January came in at ¥1.63 trillion well ahead of economists' projections as the cost of soaring imports of natural gas and other fuels outstripped a rise in exports, marking the seventh consecutive month that Japan's trade balance has been in the red. Exports rose 6.4% in January from a year ago, up for the first time in eight months, but it posted a record monthly trade deficit as higher energy imports offset recovery in exports shipments. Imports rose by 7.3% from a year ago, up for the third straight month as Japan's imports of LNG hit a record of 8.23 million tonnes in January.

■ China FDI slides for eighth straight month in January

China's foreign direct investment fell for an eighth month in January, a sign that the recovery in the world's second-largest economy has yet to revive confidence among overseas companies. Inbound investment dropped 7.3% from a year earlier to US\$9.27 billion, the Ministry of Commerce said. Non-financial outbound investment rose 12.3% to US\$4.91 billion. Rising employee and land costs have diminished China's attractiveness as a destination for foreign investors, with labour-intensive manufacturers leaving for other Asian countries.

■ US January wholesale prices up first time in 4 months

The Labour Department said its seasonally adjusted PPI increased 0.2% last month after slipping 0.3% in December. The increase in prices received by farms, factories and refineries was below the 0.4% gain economists expected. Core PPI from wholesale prices excluding volatile food and energy costs edged up 0.2% last month, in line with forecasts after gaining 0.1% in December. More than 75% of the rise in overall producer prices in January was attributed to a 0.7% rise in the cost of food which had declined 0.8% in December.

■ US FOMC discussion shifted from ending QE3 to varying the size of QE3

The January FOMC minutes struck a different tone from the December minutes, which is now centred on the debate of scaling back the QE3 (of outright monthly purchase of US\$85 billion longer term UST and mortgage-backed securities) instead of an abrupt end to the asset-buying programme sometime in 2013. The Fed's assessment of the US outlook is further improved with some reduction in downside risks facing the economy and positive on the US housing market recovery. With the shift, UOB economists now expect a compromise to scale back QE3 to be made but that compromise will probably come only in 2H-2013, barring any unexpected external events.

■ US jobless claims rise for first time in 3 weeks; inflation flat in January

Applications for unemployment benefits in the US rose for the first time in 3 weeks, returning to levels seen prior to the holiday period and indicating little change in the pace of firings. Jobless claims increased by 20,000 to 362,000 in the week ended February 16. US consumer prices were flat last month, the latest sign inflation is in check, and giving the Fed room to stimulate growth. The CPI has risen 1.6% in the 12 months ending in January, down from a 2.9% pace a year ago. Excluding the volatile food and energy categories, core prices rose 0.3% last month, pushed up by apparel, air fares and rents. Core prices have risen 1.9% in the past year, below the Fed's inflation target.

■ Singapore GDP grew more than expected in Q4

Singapore's Q4 2012 GDP grew 1.5% y/y, higher than both preliminary estimates (1.1%) and consensus forecast (1.2%) as manufacturing registered a less severe contraction (from -1.5% to -1.1% y/y) while services producing industries grew faster (from 1.5% to 1.7% y/y). On a q/q *saar* basis, Q4 GDP grew 3.3%, higher than the estimate of 1.8%. For full year 2012, GDP grew 1.3% (higher than the estimate of 1.2%). GDP growth in 2011 was revised upwards from 4.9% to 5.2%. MTI maintained 2013 GDP growth to be in the range of 1% to 3%.

Market Snapshot

Selected Equity Indices	Last (Feb 22)	1-week return	Year-to-date return
Dow Jones Industrial Average	14,000.57	0.13%	6.84%
S&P 500 Index	1,515.60	-0.28%	6.27%
FTSE 100 Index	6,335.70	0.12%	7.42%
Euro Stoxx 50	2,630.05	0.57%	-0.22%
Nikkei 225	11,385.94	1.90%	9.53%
Hang Seng Index	22,782.44	-2.82%	0.55%
Shanghai SE Composite	2,314.16	-4.86%	1.98%
BSE Sensex Index	19,317.01	-0.78%	-0.56%
Straits Times Index	3,288.13	0.15%	3.82%

Source: Bloomberg

Week Ahead

Economic Calendar (Selected Events)				
Mon, Feb 25	Tue, Feb 26	Wed, Feb 27	Thu, Feb 28	Fri, Mar 1
Dallas Fed Mfg Survey	S&P Case-Shiller HPI	<i>Durable Goods Orders</i>	<i>GDP</i>	<i>Personal Income and Outlays</i>
	<i>New Home Sales</i>	Pending Home Sales Index	<i>Jobless Claims</i>	PMI Manufacturing Index
	Consumer Confidence	EIA Petroleum Status Report	Chicago PMI	Consumer Sentiment
				<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.