

Headlines

- [Greece faces bailout review, plays down public sector job losses](#). *Reuters.com, 02 Mar 2013*
- [Italy's Grillo lists conditions for backing a government](#). *Reuters.com, 02 Mar 2013*
- [Obama orders cuts that will be 'slow grind' on economy](#). *Bloomberg.com, 02 Mar 2013*
- [Bernanke says premature rate increases could choke off expansion](#). *Bloomberg.com, 02 Mar 2013*

Weekly Review (for week ending 01 March 2013)

■ Singapore inflation eases to 3.6% in January

Inflation in Singapore eased to 3.6% in January from 4.3% in December 2012 as a sharp rise in private transportation costs was offset by slides in all other major categories, partly because of base effects. The increase from the previous year's level was better than the consensus of 4% from economists. On a m/m basis, inflation was 0.2%, down from the previous 0.7%. MAS Core Inflation, which excludes costs of accommodation and private road transport, fell from 1.9% in December 2012 to 1.2% in January 2013, with lower contributions from all its major components, is expected to average 2%-3% this year. MTI and MAS expect that inflation is likely to be 3.5%-4.5% for 2013 as they foresee accommodation and private road transport costs to together account for around 60% of CPI-All Items inflation.

■ Singapore Budget 2013 – more wealth taxes to achieve greater social equity

Budget 2013 fine-tunes Singapore's economic restructuring efforts that push for productivity and innovation, while alleviating immediate social and economic issues such as rising income inequality, tighter labour market, increasing business costs, and declining productivity growth rates. Overall budget surplus of \$3.9 billion (1.1% of GDP) in 2012, higher than initial government estimates of \$1.3 billion. For 2013, a budget surplus of \$2.4 billion (0.7% of GDP) is expected. Further re-distribution of wealth can be seen by schemes that subsidises incomes of low-wage and/or workers and enhancements of wealth taxes on wealthy residents such as a progressive tax structure for investment properties (from previous flat rate of 10% to 12%-20%) and raising of registration fees (ARF) for mid-range and luxury cars.

■ Markets rocked by inconclusive Italian elections

Political uncertainty in Italy has rocked markets with investors fearful that Europe's debt crisis may be about to rear its head again. Partial election results suggested the four-way race may end in a divided parliament, requiring another vote. Broadcaster RAI showed Democratic Party candidate Pier Luigi Bersani winning the lower chamber and former prime minister Silvio Berlusconi with a blocking minority in the Senate. The nightmare scenario of a Bersani-controlled lower house and a Senate controlled by Berlusconi was rapidly priced in to markets. Of the 17 EU countries using the euro, Italy has the second-highest debt burden as a proportion of its annual GDP.

■ US new-home sales jump in January

Sales of new homes in the US sizzled in January, rebounding from a December decline amid shrinking inventory. January sales jumped to an annual rate of 437,000, a 15.6% increase from the revised December reading of 378,000, the Commerce Department reported. The better-than-expected pace at the start of 2013 offered fresh evidence of recovery under way in the housing market, where new-home sales were up nearly 20% in 2012 from the prior year. Compared with January 2012, new-home sales were up 28.9%.

■ Tokyo nominates ADB head Kuroda as BoJ chief

Japan nominated Asian Development Bank chief Haruhiko Kuroda as the next governor of the Bank of Japan, a key post in Tokyo's bid to overhaul the economy. Kuroda, 68, was named along with two deputies -- Kikuo Iwata, an economics professor at Gakushuin University, and Hiroshi Nakaso, the BoJ's executive director. Kuroda, a long time critic of the central bank, is known as an advocate of loosening the monetary reins to overcome slow growth, putting him squarely to helm the "bold monetary policy" that Prime Minister Abe is pursuing.

■ US weekly jobless claims fall, but concerns mount on sequestration impact

New claims for US unemployment benefits fell last week to 344,000, in line with the recent trend after the previous week's spike higher. Claims, an indicator of the pace of layoffs across the country, fell by 22,000 in the week to February 23 from the previous week's revised 366,000. The four-week moving average fell by 6,750 claims to 355,000. Concerns were mounting on Thursday that the "sequester" federal spending cuts expected to come into effect on Friday midnight will cause a spike in layoffs by government contractors and temporary government employees. The unemployment rate was 7.9% in January and remains the biggest challenge to the US economy.

■ US economy barely expands in Q4, brighter days ahead

The US economy expanded at a 0.1% annual rate in Q4 of 2012 reversing an earlier estimate for a decline of 0.1% but fell short of the 0.5% economists expected. This was the slowest since Q1 of 2011 as the military slashed spending and companies reduced inventories at the year end, but growth already appears to be picking up. The GDP report showed consumer spending expanded at a 2.1% annual rate in Q4, suggesting modest underlying momentum in the economy as it entered Q1, when a significant tightening of fiscal policy began.

■ China manufacturing expands at weaker pace as orders slow

China's official February PMI was 50.1 in February, lower than 50.4 in January, the National Bureau of Statistics and China Federation of Logistics and Purchasing said. The PMI fell for a second month as a gauge of new orders declined, a signal that China's economic recovery may be losing steam. The final HSBC China manufacturing PMI for February remained at 50.4, lower than the January reading of 52.3. February's data could be distorted by the Lunar New Year week long holiday when factories close and migrant workers return home.

Market Snapshot

Selected Equity Indices	Last (Mar 1)	1-week return	Year-to-date return
Dow Jones Industrial Average	14,089.66	0.64%	7.52%
S&P 500 Index	1,518.20	0.17%	6.45%
FTSE 100 Index	6,378.60	0.68%	8.15%
Euro Stoxx 50	2,616.75	-0.51%	-0.73%
Nikkei 225	11,606.38	1.94%	11.65%
Hang Seng Index	22,880.22	0.43%	0.99%
Shanghai SE Composite	2,359.51	1.96%	3.98%
BSE Sensex Index	18,918.52	-2.06%	-2.62%
Straits Times Index	3,269.50	-0.57%	3.23%

Source: Bloomberg

Week Ahead

Economic Calendar (Selected Events)				
Mon, Mar 4	Tue, Mar 5	Wed, Mar 6	Thu, Mar 7	Fri, Mar 8
	ISM Non-Mfg Index	ADP Employment Report	<i>International Trade</i>	<i>Employment Situation</i>
		Factory Orders	<i>Jobless Claims</i>	
		EIA Petroleum Status Report	Productivity and Costs	
		Beige Book		

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.