

Headlines

- [China February inflation up 3.2% on year as food prices jump](#). Reuters.com, 09 Mar 2013
- [Greece may still have to quit euro - Merkel ally](#). Reuters.com, 09 Mar 2013
- [Bill Gross raises US economic growth forecast to 3% in 2013](#). Bloomberg.com, 09 Mar 2013
- [China's economic data show weakest start since 2009](#). Bloomberg.com, 10 Mar 2013

Weekly Review (for week ending 08 March 2013)

■ Singapore February manufacturing PMI contracts on flagging export orders

The manufacturing recovery in Singapore continues to sputter, despite an improvement in the key electronics sector, going by the PMI for February. The reading of 49.4 signalled that the manufacturing sector shrank, after edging above 50 for the first time in seven months in January. This stands in stark contrast to the electronics PMI's leap into growth territory, rising from 49.9 in January to 52.1 in February, to signal expansion for the first time in five months. The pharmaceuticals sector is going through a soft patch. Further tightening of foreign manpower policies, paired with an elevated cost environment, may also hamper recovery in industries where margins are being eroded.

■ Kuroda: BOJ must load up on long-dated government bonds

Haruhiko Kuroda, new BoJ governor, speaking at a confirmation in Parliament, said that policies under outgoing governor Masaaki Shirakawa are not powerful enough to achieve the 2% annual inflation target that the BoJ has adopted. Kuroda called for huge purchases of long-dated government bonds by the central bank, in order to guarantee low interest rates well into the future; he also promised not to set limits on the amount of cash the BoJ pumps into the economy. Most expect nothing new would emerge until May while the new governor "beds down", but some analysts now expect he may stamp his credentials by announcing new measures when the BoJ policy board meets in April. If he does so, the yen could begin declining again after having plateaued at a 3-year low against the US dollar.

■ China 2013 M2 growth should not be too fast: PBOC

China's money supply growth target of 13% in 2013 signals that policymakers do not want credit growth to be too fast, PBOC Governor Zhou Xiaochuan said. Broad money supply, or M2, in China grew by 13.8% in 2012. Other forms of financing not captured by M2, including trust loans and bond issuance, have increased in importance in China in recent years. Such alternative channels are measured by China's home-grown money supply measure, total social financing, which hit 15.76 trillion yuan in 2012, up nearly 23% year-on-year.

■ China expects 2013 GDP growth of 7.5%, says Premier Wen

China said it would boost fiscal spending in 2013 in a bid to deliver economic growth of 7.5% for the year, outgoing Premier Wen Jiabao said on Tuesday in remarks prepared for the opening of the country's annual parliament meetings. Mr Wen said China targeted a 2013 fiscal deficit of 1.2 trillion yuan, or around 2% of GDP, up from the 850 billion yuan deficit chalked up in 2012 that was worth 1.6% of GDP.

■ Eurozone economy shrank 0.9% in 2012

The eurozone economy ended 2012 on a sour note, official data from Eurostat confirmed on Wednesday, with major indicators shrinking across the 17-country currency zone. GDP in the eurozone shrank 0.6% in Q4 from the previous quarter. The figure, unchanged from the initial estimate made on February 14, confirmed the gloom surrounding the region's economic prospects. All of the major euro area economies shrank in Q4, with Germany contracting 0.6%, France 0.3%, Spain 0.8% and Italy 0.9%. Household spending fell 0.4% from Q3, while investment fell 1.1% and exports fell 0.9%. For all of 2012, GDP in the eurozone shrank 0.9% from 2011.

■ 17 of 18 US banks pass stress tests

17 of the banks tested showed their capital levels would hold up above a 5% minimum threshold if the economy were again rocked with the kind of crisis that sent the US financial system reeling in 2007-2008. Government-controlled Ally, the rescued former finance arm of General Motors, was the only bank to fail the test of capital strength. The test showed the banks collectively were much stronger than a year ago, with their aggregate common capital ratio holding up at 7.7%, even after losing US\$462 billion in the theoretical crisis scenario.

■ Fitch downgrades Italy to 'BBB+' with negative outlook

Fitch downgraded Italy's sovereign debt rating by one notch to "BBB+" from "A-" on Friday with a negative outlook, pointing in particular to "the inconclusive results of the Italian parliamentary elections on 24-25 February" which "make it unlikely that a stable new government can be formed in the next few weeks". Italy's vote left the country in a political deadlock, with no party or coalition able to form a government on its own, and party leaders have made little progress in talks so far. Unemployment in Italy is at a record 11.2% and the economy shrank by 2.4% last year, while public debt rose to 127% of GDP from 120.8% in 2011.

■ US jobless rate falls to 7.7% as jobs surge

The February US jobs report delivered an encouraging surprise Friday, with the unemployment rate slipping to a four-year low and jobs growth picking. The jobless rate fell to 7.7%, from 7.9% in January, and the US gained a net 236,000 jobs. But the January jobs growth number was revised down to 119,000 jobs from an initial estimate of 157,000. The unemployment rate was the lowest since December 2008, when it stood at 7.3%. The private sector once again drove jobs growth, adding 246,000 posts, led by gains in professional and business services, construction and health care. The government shed 10,000 jobs, continuing cutbacks that could deepen after the March 1 launch of "sequester" spending cuts aimed at reducing the government's deficit and debt due to a budget impasse in Congress.

Market Snapshot

Selected Equity Indices	Last (Mar 8)	1-week return	Year-to-date return
Dow Jones Industrial Average	14,397.07	2.18%	9.87%
S&P 500 Index	1,551.18	2.17%	8.76%
FTSE 100 Index	6,483.58	1.65%	9.93%
Euro Stoxx 50	2,728.78	4.28%	3.52%
Nikkei 225	12,283.62	5.84%	18.17%
Hang Seng Index	23,091.95	0.93%	1.92%
Shanghai SE Composite	2,318.61	-1.73%	2.18%
BSE Sensex Index	19,683.23	4.04%	1.32%
Straits Times Index	3,289.53	0.61%	3.87%

Source: Bloomberg

Week Ahead

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

Red: Market moving indicator

Black: Merits extra attention

Source: Bloomberg



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