

Headlines

- [Cyprus seeks eleventh-hour deal to avert meltdown](#). *Reuters.com, 24 Mar 2013*
- [China Vice Premier says economy faces headwinds, urges broad reforms](#). *Reuters.com, 24 Mar 2013*
- [UK moves closer to losing AAA at Fitch on debt concerns](#). *Bloomberg.com, 23 Mar 2013*
- [US consumer spending probably rose most in five months](#). *Bloomberg.com, 24 Mar 2013*

Weekly Review (for week ending 22 March 2013)

■ Cyprus bailout in jeopardy as Parliament postpones vote on deposits levy

A botched €10 billion Cyprus bailout deal precipitated sharp European and global stockmarket declines on Monday as investors feared a run on Cypriot and other weak European banks. Appreciating that an initial bailout deal - notably a one-time 6.75% tax on Cyprus bank deposits up to €100,000 and 9.9% on anything more - was a bad mistake, the Cypriot government and its international lenders frantically negotiated a levy reduction. Around one-third of the estimated €70 billion in Cypriot banks belongs to foreigners, led by Russians and Britons. The bailout levy is meant to force those foreigners to share the burden of stabilising the country's finances, EU officials, including an ECB delegation, wanted the Cypriot government to accept the deal. They warned that without it, ECB funding of Cyprus's second-largest bank, *Cyprus Popular Bank* ("Laiki"), could fail and the island's financial sector could collapse.

■ Singapore February NODX dive 30.6% on pharmaceuticals and oil rigs

Singapore's exports plunged far more than expected in February from a year earlier, dragged down by a sharp drop in pharmaceuticals and oil rigs as well as continued weakness in electronics. The NODX fell 30.6% last month from a year ago - on a par with the 31% decline when the tech bubble burst in 2001 and the 35% slide during the global financial crisis. February's figures were inflated by the shift in the month for Chinese New Year from January in 2012 to February in 2013. On a seasonally adjusted, month-on-month basis, NODX shrank 2.4% as the growth in electronics was offset by the contraction in other export categories. Economists had projected exports to rise 4.5%.

■ US housing starts rise, permits at 4-year high

The Commerce Department said on Tuesday that builders broke ground on homes last month at a seasonally adjusted annual rate of 917,000. That's up from 910,000 in January. And it's the second-fastest pace since June 2008, behind December's pace of 982,000. The gains are likely to grow even faster in the coming months. Building permits, a sign of future construction, increased 4.6% to 946,000. That was also the most since June 2008, just a few months into the Great Recession. The US housing market is recovering after stagnating for roughly five years. Steady job gains and near-record-low mortgage rates have encouraged more people to buy.

■ MAS survey shows Singapore GDP outlook improved

An MAS survey in late February showed a slightly more optimistic view of the economy's outlook. The 21 economists who responded expect the economy to grow 2.8% for the full year, up from the 2.7% median forecast in the last survey in November. The outlook for headline consumer price inflation this year remained unchanged from the November survey, at 3.8%. But MAS core inflation, which strips out private transport and accommodation prices, is expected to come in at 2%, down from the last survey's 2.2% median forecast.

■ UK GDP to grow less in 2013 and 2014 than forecast in December

Britain's economy will grow less this year and next than official forecasts showed in December, finance minister George Osborne said in his budget statement on Wednesday. The independent Office for Budget Responsibility (OBR) now expects the economy to expand by 0.6% in 2013 and 1.8% in 2014, Osborne said. The OBR then expects the recovery to pick up to 2.3% in 2015, as forecast in December.

■ Eurozone consumer confidence up a fraction in March

Eurozone consumer confidence improved marginally in March from last month, figures released on Wednesday showed. The EC said a flash estimate eurozone consumer morale was -23.5, a fraction up from -23.6 in February, lower than an expected rise to -23.3. Making up over half of eurozone economic output, consumer spending has remained constrained as Europe's debt crisis limits household incomes, slowing economic recovery. In the wider 27-member EU, March consumer sentiment was unchanged from the last month at -21.6.

■ US jobless claims inch higher, but still near 5-year lows

New claims for US unemployment benefits rose slightly last week but remained near their lowest level in five years, government data released on Thursday showed. Initial jobless claims totalled 336,000 in the week ending March 16, up a modest 2,000 from the prior week, the Labour Department reported. The prior week's number was upwardly revised by 2,000 to 334,000. The four-week moving average of initial claims fell by 7,500, to 339,750. The downward trend in claims came amid a slowly improving labour market. In February, job growth picked up sharply and the unemployment rate dipped 0.2 to 7.7%, its lowest level since December 2008.

■ Russia rebuffs plea from Cyprus for aid

Russia rebuffed a plea from Cyprus on Friday for aid leaving the island's increasingly isolated leaders scrambling to strike a bailout deal with the EU or face the collapse of its financial system. The EU had given Cyprus until Monday to raise €5.8 billion to unlock loans worth €10 billion or face being choked from ECB emergency funding in a move that would bankrupt the island. Separately, Greece has agreed on a deal for the takeover of local units of stricken Cypriot banks, helping shield Greek banks from the fallout of the island's crisis and allowing Cyprus to shrink its bloated banking sector. The Cypriot branches in Greece will be sold to one Greek bank.

Market Snapshot

Selected Equity Indices	Last (Mar 22)	1-week return	Year-to-date return
Dow Jones Industrial Average	14,512.03	-0.01%	10.74%
S&P 500 Index	1,556.89	-0.24%	9.16%
FTSE 100 Index	6,392.76	-1.49%	8.39%
Euro Stoxx 50	2,681.67	-1.62%	1.74%
Nikkei 225	12,338.53	-1.77%	18.69%
Hang Seng Index	22,115.30	-1.85%	-2.39%
Shanghai SE Composite	2,328.28	2.19%	2.61%
BSE Sensex Index	18,735.60	-3.56%	-3.56%
Straits Times Index	3,258.57	-0.84%	2.89%

Source: Bloomberg

Week Ahead

Economic Calendar (Selected Events)				
Mon, Mar 25	Tue, Mar 26	Wed, Mar 27	Thu, Mar 28	Fri, Mar 29
Dallas Fed Mfg Survey	<i>Durable Goods Orders</i>	Pending Home Sales Index	<i>GDP</i>	Good Friday US Banks open, Equity markets closed
	S&P Case-Shiller HPI	EIA Petroleum Status Report	<i>Jobless Claims</i>	<i>Personal Income and Outlays</i>
	<i>New Home Sales</i>		Chicago PMI	Consumer Sentiment
	Consumer Confidence			

Red: Market moving indicator

Black: Merits extra attention

Source: Bloomberg



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