

Headlines

- [EU, IMF resisting Greek bank NBG's takeover of Eurobank](#). *Reuters.com*, 30 Mar 2013
- [Beijing curbs second home buying as China cools property market](#). *Bloomberg.com*, 31 Mar 2013
- [Consumer spending in US climbs by most in five months](#). *Bloomberg.com*, 30 Mar 2013
- [Bank of Cyprus's customers may lose as much as 60% on deposits](#). *Bloomberg.com*, 31 Mar 2013

Weekly Review (for week ending 29 March 2013)

■ Cyprus seals bailout deal, but large depositors may suffer 40% losses

The president of Cyprus said the €10-billion rescue plan agreed in the early hours of Monday morning was "painful" but essential to avoid economic meltdown. He has agreed to close down the second-largest bank, Cyprus Popular Bank ("Bank Laiki"), and inflict heavy losses on big depositors, many of them Russian, after Cyprus's outsize financial sector ran into trouble when its investments in neighbouring Greece went sour. Backed by eurozone finance ministers, the plan will wind down the largely state-owned Popular Bank and shift deposits under €100,000 to the Bank of Cyprus to create a "good bank", leaving problems behind in, effectively, a "bad bank". Laiki will effectively be shuttered, with thousands of job losses. Officials said senior bondholders in Laiki would be wiped out and those in Bank of Cyprus would have to make a contribution, setting a precedent for the eurozone. Global equity markets and the euro retreated on comments by Mr Dijsselbloem's (head of eurozone finance ministers) that the Cyprus bailout could be a template for solving problems, by shifting more risk to depositors and stakeholders. Banks in Cyprus would re-open on Thursday with capital controls in place to avert a run on deposits.

■ Singapore inflation hits 8-month high, faster than expected at 4.9%

Singapore's February headline inflation spiked up 4.9% y/y (+1.0% m/m), and surprised consensus estimates of a milder 4.1%. January's inflation registered 3.6%. Additionally, core inflation, which excludes private road transport costs and accommodation, rose 1.9% y/y, up from 1.2% a month ago, as food prices rose during the Chinese New Year which fell in February this year. This time, private road transport rose 17.4% (compared to 10.5% in January) as COE premiums reached record high prices in January. Note that the February CPI computation did not yet factor in the sharp decline in COE prices on 13 March for the large car category resulting from the financing measures by the MAS on 25 February. The lagged impact from slower economic growth over the past few quarters in Singapore may further ease price pressures and UOB economists expect full year headline and core inflation forecasts at 3% and 1.6% respectively.

■ Singapore February industrial output plunges 16.6%y/y, 2nd straight month of manufacturing contraction

Singapore's February industrial production (IP) contracted sharply by 16.6% y/y (-0.7% m/m SA), partially due to the lower manufacturing activities during the Chinese New Year. This contraction surprised consensus expectations of an 8% decline. Excluding the more volatile biomedical manufacturing cluster, industrial production still declined 16.2%, signalling that it was not just the isolated biomedical manufacturing cluster weakness but a broad sector-wide weakness. On a 3-mma basis, IP declined 4.9% y/y. IP is still expected to grow 4.0% this year, contributing positively to our 2013 GDP forecast of 3.0%.

■ US durable goods orders jump 5.7%; home prices surge but consumer confidence slips in March

The Commerce Department reported that durable goods orders jumped 5.7% last month as demand for transportation equipment rebounded strongly. The rise in durable goods orders, which range from toasters to aircraft, reversed January's 3.8% plunge and beat economists' expectations for a 3.8% advance. US single-family home prices started the year with the biggest annual increase in six-and-a-half years, a further sign the housing market recovery was gaining enough muscle to take over the baton from manufacturing. The S&P/Case Shiller composite index of 20 metropolitan areas rose 8.1% in January compared to last year, its biggest rise since June 2006. On a month-on-month seasonally adjusted basis it rose 1%. The March confidence index fell to 59.7 from a revised 68 in February.

■ Britain confirms economy shrank 0.3% in Q4

Britain's economy contracted by 0.3% in Q4 of 2012, but GDP rose by 0.3% for 2012. Should official data due next month show that the economy also shrank in Q1 of 2013, then Britain would technically enter its third recession since the 2008 global financial crisis.

■ Consumer confidence cools as US jobless claims rise

Confidence among US consumers fell to a six-week low and claims for jobless benefits rose more than forecast, highlighting the risks to the economy posed by the sequester. The Bloomberg Consumer Comfort Index dropped to -34.4 in the week ended March from -33.9. Applications for unemployment insurance benefits rose by 16,000 to 357,000 last week, the Labour Department said.

■ US Q4 economy revised upwards to 0.4% growth

The economy in the US grew at a faster pace than previously estimated in Q4, reflecting a bigger gain in business spending and a smaller trade gap, a report from the Commerce Department showed Thursday. GDP rose at a 0.4% annual rate, up from a 0.1% prior estimate and following a 3.1% gain in Q3. Stocks rose, sending the S&P500 Index to an all-time high 1,569.19 at the close in New York.

■ Cyprus banks resume normal trading hours

Banks in Cyprus resumed normal trading hours on Friday, for a second day, after a near two-week lockdown and a day that averted a feared run on deposits following an EU-led bailout to rescue the island from bankruptcy under draconian capital controls which include a daily withdrawal limit of €300. Foreign Minister Ioannis Kasoulides said on Thursday the restrictions could last as long as a month.

Market Snapshot

| Selected Equity Indices | Last (Mar 29) | 1-week return | Year-to-date return |
|------------------------------|---------------|---------------|---------------------|
| Dow Jones Industrial Average | 14,578.54 | 0.46% | 11.25% |
| S&P 500 Index | 1,569.19 | 0.79% | 10.03% |
| FTSE 100 Index | 6,411.74 | 0.30% | 8.71% |
| Euro Stoxx 50 | 2,624.02 | -2.15% | -0.45% |
| Nikkei 225 | 12,397.91 | 0.48% | 19.27% |
| Hang Seng Index | 22,299.63 | 0.83% | -1.58% |
| Shanghai SE Composite | 2,236.62 | -3.94% | -1.43% |
| BSE Sensex Index | 18,835.77 | 0.53% | -3.04% |
| Straits Times Index | 3,308.10 | 1.52% | 4.45% |

Source: Bloomberg

Week Ahead

| Economic Calendar (Selected Events) | | | | |
|-------------------------------------|----------------|-----------------------------|-----------------------|-----------------------------|
| Mon, Apr 1 | Tue, Apr 2 | Wed, Apr 3 | Thu, Apr 4 | Fri, Apr 5 |
| Motor Vehicle Sales | Factory Orders | ADP Employment Report | <i>Jobless Claims</i> | <i>Employment Situation</i> |
| PMI Manufacturing Index | | ISM Non-Mfg Index | | <i>International Trade</i> |
| <i>ISM Mfg Index</i> | | EIA Petroleum Status Report | | |
| Construction Spending | | | | |

Red: Market moving indicator

Black: Merits extra attention

Source: Bloomberg



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