

Monday, 22 April 2013

Weekly Update

Headlines

- [North Korea moves two more missile launchers](#). *Reuters.com, 21 Apr 2013*
- [IMF's Lipton adds pressure on UK to change economic course](#). *Reuters.com, 20 Apr 2013*
- [Gold traders split on outlook as Asian jewellers buy](#). *Bloomberg.com, 20 Apr 2013*
- [PBOC's Zhou says slower growth needed for restructuring](#). *Bloomberg.com, 21 Apr 2013*

Weekly Review (for week ending 19 April 2013)

■ China Q1 GDP growth slips to 7.7% year-on-year, below expectations

China's economic recovery unexpectedly stumbled in Q1 of 2013 as the annual rate of growth eased back to 7.7% from the 7.9% pace in Q4 of 2012. Many investors had anticipated a possible surprise on the upside, with growth faster than the consensus forecast of 8%, after a surge in liquidity in the economy during Q1 and an uptick in export growth. Despite the slower growth, China's real estate investment rose 20.2% in Q1 from the same period a year earlier, while revenues from property sales rose 61.3%, adding substance to official worries over an unsustainable house price boom. Analysts fear hot property prices could lead to monetary tightening, though some believed that it was unlikely given the weaker overall growth figure for Q1. China's full-year annual growth of 7.8% in 2012 was the weakest since 1999.

■ Gold prices plunge 9%, sharpest fall in 30 years

Gold plunged more than 9% Monday to its lowest price in two years in a rout sparked by worries over Chinese growth and a possible sell off by struggling Cyprus's central bank preparing to liquidate some of its 14 tonnes of gold reserves to fund its part of the IMF-EU bailout plan. But the broader view is that with inflation expectations still flat -- as both US and Chinese data indicate -- people who buy gold as a hedge against rising prices have been driven to dump bullion. New York COMEX gold for April delivery closed at US\$1360.60 per ounce.

■ Moody's lowers China outlook to stable after Fitch downgrade

Moody's on Tuesday affirmed China's government's bond rating of Aa3 but cut the outlook to stable from positive, the second pessimistic revision by a ratings agency this month. Last week, Fitch cut China's long-term local currency credit rating to A-plus from AA-minus, citing concerns about the risk that excessive local government borrowing posed to the wider economy. Moody's referred to the same issue for its negative revision. Moody's said it affirmed the Aa3 rating because of China's credit fundamentals, which have been underpinned by continued robust economic growth, strong central government finances and an exceptionally strong external payments position.

■ Singapore March NODX down 4.8% due to contraction in electronic exports

NODX for March contracted 4.8% y/y, as the decline in exports of electronic (-17.9%) outweighed the growth in non-electronic (+2.3%) exports. It was slightly better than consensus estimates of a steeper 5.3% decline, and was also an improvement from February's plunge of 30.6% that was due to the Chinese New Year holidays. On a m/m SA basis, March's NODX grew 8.0%, better than the 2.5% decline in February. Buoyed by the better-than-expected trade numbers, economists are now seeing a NODX recovery around the corner. Some even see an upward revision in the official estimates for the GDP in the first quarter, which show the GDP fell 0.6% year-on-year.

■ Chinese property price surge fuels rate rise fears

Home prices continued to climb in China last month with 68 out of 70 major cities showing price increases as buyers rushed to complete sales before new government efforts to cool the country's property market kicked in. Prices in China's 70 major cities rose 3.6% over the year to March, but concerns centred on the 1.2% jump in March. There were also concerns about the rapid price increases in some of the so-called tier one cities, with Beijing prices up 8.6% over the past year and 3.1% in March, and Shanghai up 6.4% over the past year and 2.6% last month alone. Authorities in Shanghai told banks to stop issuing loans to individuals attempting the purchase of a third home.

■ German economy seen bouncing back after Q4 dip

The German economy shrank 0.6% in Q4 of last year but many economists think it is returning to growth. A recovery in Germany will be a key factor for the eurozone as it struggles to emerge from a recession. The German institutes foresee unemployment falling to an average of 6.7% for 2013 from 6.8% in 2012. Inflation is expected to remain moderate at 1.7%, while the budget should be balanced. Despite the upbeat outlook, the German institutes trimmed their growth forecast for 2013 to 0.8% from an earlier forecast of 1% issued last October.

■ Unforeseen fall in US leading indicators index; jobless claims little changed

The Conference Board's gauge of the outlook for the next 3 to 6 months unexpectedly fell 0.1% in March after climbing 0.5% in February. 5 of the 10 indicators in the leading index contributed to the March decrease, including a decline in applications for home construction, fewer factory orders and a drop in consumer expectations. Building permits in March fell 3.9% to a 4-month low 902,000 annualised rate. Applications for jobless insurance payments increased by 4,000 to 352,000 in the week ended April 13 from an upwardly revised 348,000 in the prior week. The 4-week moving average, a less volatile measure than the weekly figures, rose to 361,250 last week from 358,500.

■ Fitch strips UK of triple-A rating, austerity debate deepens

Fitch became the second ratings agency to strip the UK of its AAA credit rating to AA+, citing a weaker economic and fiscal outlook. But it returned the outlook to "stable", removing the threat of near term action. Moody's was first to downgrade the UK in February and S&P has said there is a one-third chance it will follow suit. The move is an embarrassment for the Conservative-led government which promised to protect the country's rating when it took power in 2010, and will heighten the debate about whether austerity is still the right approach.

Market Snapshot

Selected Equity Indices	Last (Apr 19)	1-week return	Year-to-date return
Dow Jones Industrial Average	14,547.51	-2.14%	11.01%
S&P 500 Index	1,555.25	-2.11%	9.05%
FTSE 100 Index	6,286.59	-1.53%	6.59%
Euro Stoxx 50	2,575.16	-2.21%	-2.31%
Nikkei 225	13,316.48	-1.25%	28.10%
Hang Seng Index	22,013.57	-0.34%	-2.84%
Shanghai SE Composite	2,244.64	1.72%	-1.08%
BSE Sensex Index	19,016.46	4.24%	-2.11%
Straits Times Index	3,294.05	0.00%	4.01%

Source: Bloomberg

Week Ahead

Economic Calendar (Selected Events)				
Mon, Apr 22	Tue, Apr 23	Wed, Apr 24	Thu, Apr 25	Fri, Apr 26
<i>Existing Home Sales</i>	PMI Manufacturing Index Flash <i>New Home Sales</i>	<i>Durable Goods Orders</i> EIA Petroleum Status Report	<i>Jobless Claims</i>	<i>GDP</i> Consumer Sentiment

Red: Market moving indicator

Black: Merits extra attention

Source: Bloomberg



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