

Headlines

- [U.S. new-home sales at 7-month high in November](#). *Reuters.com, 24 Dec 2011*
- [Banks downgrade threat remains despite ECB funds: S&P](#). *Reuters.com, 24 Dec 2011*
- [Congress Passes Two-Month U.S. Payroll Tax-Cut Extension](#). *Bloomberg.com, 24 Dec 2011*
- [Japan's Government to Sell Record 149.7 Trillion Yen Debt in Fiscal 2012](#). *Bloomberg.com, 24 Dec 2011*

Weekly Review (for week ending 23 December 2011)

Europe urged G20 nations and other big contributors around the world Monday to come to the aid of eurozone bailout efforts through the IMF, after British resistance saw finance ministers miss a self-imposed EU target. Eurozone chief Jean-Claude Juncker said that the 17 single-currency countries had pledged 150 billion euros in new loans for the IMF to use in stabilising the debt-laden euro area. The shortfall from a 200-billion-euro target set on December 9 was in large part caused by Britain's refusal once more to agree to the terms demanded; Britain wants an increase in IMF resources to be part of a broader process involving all G20 nations, insisting that the IMF's role is to support countries not currencies.

ECB President Mario Draghi damped expectations that the bank will step up bond purchases to tame the sovereign debt crisis, saying it can't overstep its mandate. The ECB is resisting pressure to increase its bond buying, saying governments need to find a lasting solution to the debt crisis. The central bank has instead focused on helping the banking industry and will this week offer financial institutions in the 17-nation euro area unlimited three-year loans. Draghi said it's up to banks to decide what to do with the money. One of the things that they may do is to buy sovereign bonds, but it is not at all an equivalent to the ECB stepping up bond buying.

Confidence among US homebuilders rose in December for a third consecutive month, a sign of stabilization in the housing market. The NAHB/Wells Fargo index of builder confidence climbed to 21, the highest level since May 2010, from a revised 19 in November that was lower than first reported. This is the first time that builder confidence has improved for three consecutive months since mid-2009, which signifies a legitimate though slowly emerging upward trend. Builders are reporting more inquiries and more interest among potential buyers than they have seen in previous months.

Banks took a huge 489 billion euros at the ECB's first ever offering of three-year funding on Wednesday, raising hope that a credit crunch can be avoided and that the money may be used to buy Italian and Spanish bonds. A total of 523 banks borrowed money at the tender with demand way above the 310 billion euros expected by traders polled by Reuters in the run-up to the operation. Rather than a simple flat rate, the three-year funds were offered at an interest rate which will be the average of ECB's main interest rate over the next three years. The current benchmark rate is 1% after the recent rate cut.

The forint weakened for a second day after Hungary lost its investment-grade credit rating at S&P on Wednesday in the second such downgrade in a month. S&P did not see the prospect of an IMF/EU backstop as credible enough to support an investment-grade credit view, cutting long term ratings were one step to BB+ from BBB-, citing the weakening predictability of Hungary's economic policies. The IMF and the EU suspended talks over an aid package to Hungary last week on concern that the government's plans for a central bank law may curb monetary-policy independence.

On Thursday, Moody's reaffirmed Australia's AAA ratings based on the country's very high economic resiliency, very high government financial strength, very low levels of debt and very low susceptibility to event risk. Australia ends the year rated AAA by all three global ratings agencies after last month's upgrade to AAA by Fitch.

Britain's economy in Q3 unexpectedly grew faster than earlier estimates, coming in at 0.6% q/q thanks to stronger services and construction output, the ONS said on Thursday. However, GDP growth in Q2 was revised downwards to 0%. It also reported the biggest current account deficit since quarterly records began in 1955, saying the deterioration was due to a big fall in investment income and a widening in the goods trade deficit. The deficit is equivalent to 4% of GDP.

The US economy grew at a slower rate than initially estimated during the third quarter, underlining fears over the strength of the US economic recovery, official data showed on Thursday. The Bureau of Economic Analysis said GDP increased at a seasonally adjusted annual rate of 1.8% during Q3, down from a previous estimate of 2.0% which analysts expected.

Singapore's inflation sped ahead of market forecasts to hit 5.7% in November from a year ago, matching August's three-year high. November's CPI beat both the consensus forecast of a 5.3% rise and October's 5.4% year-on-year increase.

Market Snapshot

Selected Equity Indices	Last (Dec 23)	1-week return	Year-to-date return
Dow Jones Industrial Average	12,294.00	3.60%	6.19%
S&P 500 Index	1,265.33	3.74%	0.61%
FTSE 100 Index	5,512.70	2.33%	-6.56%
Euro Stoxx 50	2,290.37	3.98%	-17.99%
Nikkei 225	8,395.16	-0.08%	-17.93%
Hang Seng Index	18,629.17	1.88%	-19.13%
Shanghai SE Composite	2,204.78	-0.90%	-21.48%
BSE Sensex Index	15,738.70	1.60%	-31.68%
Straits Times Index	2,676.47	0.65%	-16.10%

Source: Bloomberg

Week Ahead

Economic Calendar (Selected Events)				
Mon, Dec 26	Tue, Dec 27	Wed, Dec 28	Thu, Dec 29	Fri, Dec 30
US Holiday: Christmas Day observed	S&P Case-Shiller HPI	EIA Petroleum Status Report	<i>Jobless Claims</i>	Chicago PMI
	<i>Consumer Confidence</i>		<i>Pending Home Sales Index</i>	

Red: Market moving indicator

Black: Merits extra attention

Source: Bloomberg

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