

Monday, 14 January 2013

Weekly Update

Headlines

- [Treasury. Fed kill idea of \\$1 trillion platinum coins to avert debt crisis.](#) *Reuters.com, 12 Jan 2013*
- [Japan PM says Bank of Japan must set 2% medium-term inflation goal.](#) *Reuters.com, 13 Jan 2013*
- [China is cause for optimism on world economy, Swan says.](#) *Bloomberg.com, 13 Jan 2013*
- [China export surge spurs data skepticism at Goldman, UBS, ANZ.](#) *Bloomberg.com, 13 Jan 2013*

Weekly Review (for week ending 11 January 2013)

■ China Q4 GDP growth seen rebounding to 7.8%

China's annual economic growth may have quickened to 7.8% in Q4 from a year ago, a Reuters poll showed, snapping seven straight quarters of weaker expansion, but the recovery is likely to be tepid and the economy may need continued policy support. The modest recovery from 7.4% in Q3 follows a raft of pro-growth policy steps over recent months, and may reassure China's leaders after November's power transition. But the outlook in 2013 remains cloudy given the lingering global uncertainties. Economic activity has picked up since September, supported by faster infrastructure investment and a heating up of the housing market. The factory sector is also picking up as the de-stocking cycle, during which firms ran down inventories in response to the downturn, comes to an end.

■ German economy grew by 0.75% in 2012

Germany's vice chancellor says the country's economy, Europe's biggest, grew by 0.75% last year and recent data send upbeat signals for growth in 2013. Growth in 2012 was much weaker than in 2010 and 2011 of 4.2% and 3% respectively. But Vice Chancellor Philipp Roesler described it as "robust," while several other countries in the eurozone experienced recessions. Mr Roesler said Q4 growth was somewhat weaker than expected, noting that recent industrial orders figures and other indicators suggest the weak phase was temporary.

■ German exports down 3.4% in November

Exports from Germany were sharply lower in November compared with October amid economic weakness elsewhere on the continent. The Federal Statistical Office said Tuesday that exports dropped 3.4%. Adjusted for seasonal and calendar factors, they totalled €89.6 billion. Imports were down 3.7% at €75.1 billion. Compared with a year earlier, exports were unchanged in November. A 5.7% decline in exports to other countries in the 17-nation eurozone contrasted with a 5.6% increase in exports to nations outside the EU.

■ Greek PM optimistic about country's progress

Greece's prime minister stressed his country was determined to win back credibility in Europe, and was delivering on the reforms and austerity needed to achieve that goal, as he met Tuesday with German Chancellor Angela Merkel. Greece has been kept afloat since May 2010 by rescue loans from the ECB and the IMF. In return for the loans, the lenders, Germany in particular, have insisted on a series of economic reforms, tax raises and spending cuts. Merkel said she would discuss with Samaras the economic situation in Germany, where growth has slowed over the past year, "because we also must do everything to guarantee economic growth and, with that, job security".

■ Eurozone unemployment rate rises to record 11.8%

Unemployment in the 17-country eurozone reached a record 11.8% in November, as the number of jobless in the 27-country EU topped 26 million for the first time since the financial crisis began three years ago. The biggest rise was in Greece, where the number of unemployed soared to 26% in September, up 7% from November 2011. The 17-country eurozone unemployment rate rose 0.1% on October, up from 10.6% a year ago. The rate for the 27-country EU remains unchanged from October at 10.7%.

■ Status quo on interest rates from the ECB and BoE

As expected, the ECB kept the refinancing rate unchanged at 0.75% and the deposit rate at 0.0%. ECB President Draghi indicated that the unanimous decision was based on the continued significant improvement in financial markets – lower government bond yields, stock market increases, low volatility, lower loan redemptions, strong capital inflows into the Euro area, higher deposits into the periphery banks. Meanwhile, the BoE also did not change policy in its January meeting, keeping the size of its asset purchase programme at £375 billion and the OCR unchanged at 0.5% since March 2009. The meeting minutes will be due on January 23.

■ China's inflation accelerates in December, but slows to 2.6% for 2012

China's inflation accelerated more than forecast to a seven-month high as the nation's coldest winter in 28 years pushed up vegetable prices, a pickup that may limit room for easing to support an economic recovery. The consumer price index rose 2.5% in December from a year earlier, the National Bureau of Statistics said, higher than the 2.3% Bloomberg estimate and up from 2% in November. Consumer inflation has held below Premier Wen Jiabao's 2012 target of about 4% for 11 months. The decline in the producer price index eased to 1.9%. For the full year of 2012, the CPI rose 2.6%, down sharply from 5.4% in 2011 while factory-gate prices declined 1.7%.

■ Japan's Abe unveils ¥10.3 trillion (US\$116 billion) fiscal stimulus

The Japanese government will spend ¥10.3 trillion to drive a recovery from a recession in PM Shinzo Abe's first major policy initiative to end deflation and boost growth. About ¥3.8 trillion will be for disaster prevention and reconstruction, with ¥3.1 trillion directed to stimulating private investment and other measures. This will boost GDP by 2% and create 600,000 jobs. The stimulus raises concern that Japan's commitment to fiscal reform is slipping, adding to the risk that a public debt more than twice the size of the economy may trigger a surge in bond yields. The BOJ will adopt a 2% inflation target advocated by Abe, doubling its existing goal of 1%, with no deadline for achieving it.

Market Snapshot

Selected Equity Indices	Last (Jan 11)	1-week return	Year-to-date return
Dow Jones Industrial Average	13,488.43	0.40%	2.93%
S&P 500 Index	1,472.05	0.38%	3.22%
FTSE 100 Index	6,121.58	0.52%	3.79%
Euro Stoxx 50	2,717.79	0.31%	3.11%
Nikkei 225	10,801.57	1.06%	3.91%
Hang Seng Index	23,264.07	-0.29%	2.68%
Shanghai SE Composite	2,243.00	-1.49%	-1.15%
BSE Sensex Index	19,663.64	-0.61%	1.22%
Straits Times Index	3,216.50	-0.27%	1.56%

Source: Bloomberg

Week Ahead

Economic Calendar (Selected Events)				
Mon, Jan 14	Tue, Jan 15	Wed, Jan 16	Thu, Jan 17	Fri, Jan 18
	<i>Producer Price Index</i>	<i>Consumer Price Index</i>	<i>Housing Starts</i>	Consumer Sentiment (p)
	<i>Retail Sales</i>	Treasury International Capital	<i>Jobless Claims</i>	
	Empire State Mfg Survey	<i>Industrial Production</i>	<i>Philadelphia Fed Survey</i>	
	Business Inventories	Housing Market Index		
		EIA Petroleum Status Report		
		Beige Book		

Red: Market moving indicator

Black: Merits extra attention

Source: Bloomberg



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