



DECPG Daily Economics and Financial Market Commentary March 8, 2013

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Thailand's sovereign credit rating raised...US unemployment drops...Brazil inflation picks up

Financial Markets... *U.S. Treasuries* slid further on Friday, pushing the benchmark 10-year note yields to an 11-month high of 2.08% in morning trade, after stronger-than-expected U.S. jobs data. U.S. government securities have been weak after upbeat incoming economic data fueled investor optimism about the growth outlook.

Spanish 10-year government bond yields dropped as low as 14 basis points to 4.76% in Friday trading, the lowest level since November 2010, after a strong new debt sale on Thursday and government data showed less-than-expected decline in industrial production in January. Spanish bonds have outperformed those of Italy and Germany thus far this month.

Fitch Rating upgraded *Thailand's* sovereign credit rating by one notch to 'BBB+' from 'BBB,' citing the country's resilient economy despite repeated shocks and a more stable political situation. The rating agency also cited Thailand's strong external financing position and low public debt.

High-income Economies... US non-farm payroll employment rose by 236,000 jobs, compared to an increase of 119,000 in January, helping push the unemployment rate to a 4-year low of 7.7% in February from 7.9% the month before. The increase reflected strong hiring in the private sector (246,000 jobs) that helped offset the loss of 10,000 government jobs.

In *Germany*, the pace of contraction in industrial production eased in January with output falling by 5.6% (3m/3m saar) compared to a 9.2% decline in December. In monthly terms, output remained flat supported by rising construction output, after gaining 0.6% (m/m, sa) in December.

Final Q4 GDP estimates show that *Japan's* GDP was flat compared to Q3, after preliminary readings suggested a 0.1% contraction. Q4 data were boosted by upward revisions to consumer spending and private investment which fell less than initially estimated.

Construction output in the *UK* contracted for the 13th month in a row in January, falling by 7.9% (y/y, vol. nsa) after a 14.5% fall in December. The slide reflects a sharp fall in public sector works (ex. housing) combined with weak private sector activity. Separately a quarterly survey from the Bank of England (BoE) showed that Britons' inflation

expectations for the year ahead rose to 3.6% in March from 3.5% in November. Inflation has remained above the BoE's 2% inflation target since October 2009

Developing Economies...East Asia and Pacific: *China's* exports leaped 21.8% (y/y) in February in a possible sign of stronger global demand. Imports fell by 15.2% (y/y), a decline from January's 28% growth suggesting that domestic demand is weakening. This resulted in a trade surplus of \$15.25 billion compared with a deficit of \$32 billion in the same month last year.

Europe and Central Asia: *Turkey's* industrial production accelerated in January to 1.9% (y/y), reversing the 1.8% (y/y) decrease recorded in the previous month led by advances in the manufacturing sector.

Latin America and the Caribbean: *Chile's* inflation edged downwards in February to 1.3% (y/y) from 1.5% (y/y) in the previous month. The annual inflation rate is still below the central bank's 2 to 4% target range and at the slowest pace since June 2010.

Brazil's inflation rose by 6.31% (y/y) in February, up from 6.15% (y/y) in January, which is the fastest pace since December 2011. Inflation is approaching the upper end of the central bank's 4.5% +/- 2% inflation targeted range.

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