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Economics and Financial Market Commentary
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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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