Financial Markets... *The dollar* continued to strengthen versus the yen, hitting a 3½-year high of 96.55 in early Monday trading, as recent strong economic data added to signs that the U.S. economy is gaining momentum. The greenback has appreciated 10.9% against the Japanese currency thus far this year.

*Italian* government bonds declined for a second day on Monday, with the 10-year yields inching up 7 basis points to 4.67% in morning trade, after Fitch Ratings lowered the country’s sovereign credit rating by one notch to ‘BBB+’ from ‘A-’ on Friday. The rating agency cited Italy’s high debt level, fragile economy, and political uncertainty following last month’s election for the downgrade.

*Developing-country* stocks fell slightly on Monday, with the benchmark MSCI Emerging Market Index falling from a 2-week high level reached last week, amid soft China economic data and growing tensions between North Korea and South Korea. China’s Shanghai Composite Index fell 0.4% for its third day of losses, while Pakistan’ benchmark stock index slid 1.2%. In contrast, Thailand’s SET index gained 0.7%, heading for the highest closing since January 2009, in the wake of the rating upgrade by Fitch Ratings last week.

*High-income Economies...* French manufacturing output shrank 1.4% (m/m sa) in January led by declining car sales, after gaining 1.3% in December. For the three months to January, output dropped by 8.3% (3m/3m saar) after a 9.8% decline in December.

*German* exports rose 1.4% (m/m sa) in January compared to a 0.2% gain in December mainly reflecting anemic demand from within the Euro Area. Import growth however outpaced export growth with inbound shipment rising 3.3% after a 1.5% drop in December. The trade balance remained in a surplus of EUR 13.7 billion in January up from EUR 12.1 billion in the previous month.

*Japanese* core-machinery orders, which exclude those for ships and utilities, rose by 6.1% (3m/3m saar) after an 8.4% gain in December. On a monthly basis though, orders fell by 13.1% (m/m) in January, the first decline in 4 months mainly reflecting weak overseas demand. Manufacturing orders declined by 1.3% (3m/3m saar) in January, a considerable improvement from the average 20% declines seen throughout the second half of last year.

*Italian* and *Portuguese* final GDP estimates confirmed that the recessions in both countries deepened in Q4 2012. GDP fell by 0.9% (q/q) in Italy and 1.8% in Portugal in Q4 following outturns of -0.2% and -0.9% respectively in Q3.
Developing Economies...East Asia and Pacific: Malaysia’s industrial production accelerated to 4.6% (y/y) in January, up from revised 3.5% (y/y) in December, boosted by increases in manufacturing and electricity.

Latin America and the Caribbean: Mexico’s central bank cut its benchmark overnight lending rate by 50 basis points to a record low 4%. This was the first cut in three years for the central bank while signaling no further reductions are on the horizon.

Middle East and North Africa: Tunisia’s inflation eased to 5.8% (y/y) in February, from 6.0% in January as food prices eased to 7.8% (y/y) from 8.7% (y/y) a month earlier.

South Asia: India’s exports grew for the second straight month in February by 4% (y/y) to $26.26 billion, after contracting for eight months in a row. Imports increased by 3% (y/y) to $41.18 billion resulting in a marginally improving trade deficit.

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