Stocks markets rally on Russia-Ukraine deal and Sweden’s quantitative easing ... ECB extends a further €5bn to Greek lenders... Indian inflation accelerates

Financial Markets

Global stock markets are moving higher on Thursday as a ceasefire between Russia and Ukraine and an aggressive stimulus from Sweden's central bank boosted investors' risk appetite. European shares bounced back from earlier losses, and even Greek stocks rallied with banking shares jumping 10% as the European Central Bank approved more emergency liquidity for Greek lenders. U.S. equities opened higher despite disappointing U.S. jobless claims and retail sales data. The S&P 500 gained 0.6%, reaching this year's high, while the Nasdaq Composite rose 0.7% to its highest level since March 2000.

U.S. Treasuries rose for the first time in six days as weaker-than-expected U.S. retail sales and weekly jobless claims prompted some caution into the current economic backdrop and the timing of the Fed's projections for an interest rate hike later this year. The benchmark 10-year yield fell below 2% for the first time in a week, while the 30-year Treasury yield dropped to 2.57%. Borrowing costs for longer-term U.S. government bonds dropped the most in January since 1988 as they plunged to 1.64% for the 10-year notes and to a historic low of 2.22% for 30-year bonds.

High Income Economies

U.S. first-time jobless claims climbed to 304,000 in the week ended February 7th, from the previous week's revised level of 279,000. Economists had expected jobless claims to rise to 288,000 from the 278,000 originally reported for the previous week. Meanwhile, the less volatile four-week moving average fell to 289,750 from the previous week's revised average of 293,000. Continuing claims, a reading on the number of people receiving ongoing unemployment assistance, also tumbled to 2.35 million in the week ended January 31st from the preceding week's revised level of 2.41 million.

As falling gasoline prices contributed to another steep drop in sales by gas stations, U.S. retail sales fell by 0.8% (m/m) in January after slumping by 0.9% in December. Economists had expected sales to drop
by 0.5%. Gas station sales plummeted by 9.3% in January, even steeper than the substantial 7.4% decrease seen in December. Auto sales also decreased, by 1.0% in January after dipping by 0.5% in December. Core retail sales, which exclude gasoline, autos and building materials, edged up by just 0.1% in January after falling by 0.3% in December.

After expanding for three consecutive months, Eurozone industrial production remained unchanged from November, while it was forecast to grow 0.2%. At the same time, the growth rate for November was revised down to 0.1% from 0.2%. Production increases of durable consumer goods, intermediate goods, and energy output and capital goods were offset by production declines in non-durable consumer goods in December.

On the back of fears that a spate of withdrawals could leave Greek lenders short of funding, the European Central Bank has extended another €5bn in emergency loans to banks in Greece. The ECB made the decision after a call with members of its governing council earlier on Thursday.

Developing Economies

Europe and Central Asia

Romania’s industrial production in December rose to 3.1% (y/y) from 2.8% in November, data from the National Institute of Statistics showed. Manufacturing output grew 4.2% and mining and quarrying output grew 3.7%. Month-on-month, industrial production fell 0.3% in December. Manufacturing output declined 0.7%, while mining and quarrying output increased 5.6%. For the whole year 2014, industrial production expanded 6.1% from the previous year.

South Asia

India’s consumer price inflation accelerated 5.1% (y/y) in January from the revised 4.3% in December. It was less than the 5.5% expected by economists. Food price inflation was 6.1%. The Reserve Bank of India expects inflation to be around the target level of 6% by next January. In a separate data release, industrial production slowed to 1.7% (y/y) in December from the revised 3.9% in November, mainly due to a contraction in the mining and quarrying sector, which was down 3.2%. Meanwhile, manufacturing output grew 2.1%.

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