Financial Markets... The euro weakened 0.3% to $1.2733 in London trading from a two-month low of $1.2717 earlier, after the European Central Bank left interest rate unchanged at a record low of 0.75% on Thursday.

Spanish government bonds declined for a second day, with the benchmark 10-year yield rising 14 basis points to 5.83%, because of increased debt supply (following today’s sale of €4.76 billion in 3-, 5-, and 20-year securities) and growing worries among investors that the country may not ask for a bailout program any time soon.

Developing countries’ shares dropped the most in two week, with the benchmark MSCI Emerging Market Index sliding 1%, amid news of weak corporate earnings and growing investors’ attention on the so-called fiscal cliff in the U.S. Notably, China’s Shanghai Composite Index fell 1.6%, sliding for a fourth day, while South Korea’s Kospi index fell 1.2%.

High-income Economies...Mario Draghi in explaining the ECB decision to keep its benchmark interest rate steady at 0.75% said that inflation is likely to remain above its 2% target for 2012, mostly because of energy price rises and increases in indirect taxes in some countries. And although financial market confidence has improved from the ECB’s OMT bond purchase program, growth momentum continues to be weak and the risks surrounding the economic outlook for the Euro Area remain on the downside.

Greece’s parliament approved further austerity measures needed to unlock Euro Area bailout funds today, with a majority of the members supporting the bill (153 for and 128 against).

Germany’s exports dropped 2.5% (m/m) in September (-3.4% y/y), reversing a 2.3% monthly increase in August, amid lower demand from the country’s Euro Area trade partners, several of which are in recession. Imports fell a smaller 1.6% (m/m) (-3.6% y/y), and the trade surplus narrowed to €17bn from €18.1bn in August.

France’s exports fell 1.5% (m/m) in September, as Airbus sales helped to offset declines in nearly all industrial exports including clothing, chemicals, electronics and agricultural products. Imports fell a faster 1.9% (m/m) due to lower energy purchases from a refinery closure, resulting in the trade deficit narrowing 4.3% to €5.03bn in September.

US exports however rose 3.1% (m/m) in September, the largest increase in a year, as growing demand from emerging markets helped to offset flat exports to the European
Union. Imports rose 1.5% (m/m) from increases in consumer goods imports, and the trade deficit fell to $41.6bn, the smallest since December 2010.

Weekly unemployment claims in the US fell 8,000 to 355,000 as the disruption from Hurricane Sandy likely suppressed filing of applications, but claims could jump back up in next few weeks as storm related job loss applications start to be processed.

Developing Economies… Indonesia’s central bank held its interest rates unchanged for the ninth consecutive month at a record low 5.75%. The inflation rate at 4.61% (y/y) in October remains within the annual inflation target of 3.5%-5.5% for this year. At the same time, the bank raised 2013 inflation target to 4-6% to factor in the impact of the electricity tariff adjustment planned by the government of Indonesia in 2013.

The central bank of Malaysia left its benchmark overnight policy rate at 3.0% continuing accommodative monetary policy in support of domestic economy as global demand remains subdued and inflation remains within the central bank annual inflation target. Malaysia’s inflation eased to 1.3% in September, down from 1.4% in August.

Malaysia’s industrial production recovered strongly in September, advancing 4.9% (y/y) compared with a 0.2% fall in August led by manufacturing and electricity output sectors.

Mexico’s inflation slowed down to 4.6% (y/y) in October, down from 4.77% in September, reversing the five-month long upward trend in inflation and moving inflation closer to the central bank’s 4% upper band of the annual inflation target.

Serbia’s central bank raised its key policy rate by another 20 basis points to 10.95% to reduce accelerating inflation which at 10.3% in September (y/y) continues to be far above the central bank’s 4% (+/- 1.5%) inflation target.

South Africa’s manufacturing production decreased in September by 1.1% (y/y) reversing the previous month’s 2.8% increase on a lower production of electrical machinery. On a monthly basis, manufacturing production declined 2.3% in September compared with a 3 % growth in August

Industrial production in Turkey recovered in September expanding 6.2% (y/y) compared with a 1.8% fall in August on strong manufacturing and mining sector outputs.

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