Global equities at 2016 highs

**Financial Markets**

*Global equities* climbed to 2016 highs on Tuesday as the rebound in oil prices and signs of economic stabilization in China boosted demand for risker assets. MSCI’s gauge of world stocks rose 1 percent in morning session and hit its highest level since December. The risk-on mood pushed safe-haven government bond prices lower with the benchmark 10-year note yield rising 2.3 basis points to 1.794 percent, its highest level this month.

*Oil prices* increased for the first time in five days, driven by the tumbling dollar and a labor strike in Kuwait that cut output more than half from OPEC’s fourth-largest member. Brent, the global benchmark, rose 2.9 percent to $44.15 a barrel, while West Texas Intermediate (WTI) climbed 3.3 percent to $41.09 a barrel. The U.S. dollar weakened against the euro and commodity currencies on Tuesday.

**Advanced Markets**

*U.S.* housing starts fell more than expected 8.8 percent (y/y) to 1.09 million in March, seasonally adjusted, following the upwardly revised 1.19 million in February. This was below the median forecast of a decline to 1.17 million. The weakening of the housing market was led by an 8.5 percent drop in buildings with five or more units and a 9.2 percent decline in single-family units. Further, building permits for future home construction dropped 7.7 percent in March compared to the previous month, a one-year low. This is in line with other indications of softening of the economy in 2016Q1.

*Spain* conceded it will miss the budget target by a wider margin, failing to bring its deficit below 3 percent of GDP. The deficit in 2016 is projected at 3.6 percent, higher than the agreed 2.8 percent by the EU Commission. In addition, growth forecast for 2016 was revised downwards to 2.7 percent from 3 percent, due to weaknesses in foreign and domestic demand.

*Germany*’s ZEW index of expectations for future growth jumped to 11.2 points in April from 4.3 points in March, surpassing forecast of a moderate climb of 8 points. The increase was based on positive economic news from China. However, the index for evaluation of current economic conditions dropped to 47.7 from 50.7 in March, reflecting concerns about a drag on Germany’s exports to China and other important emerging markets, and the uncertainty surrounding the Brexit vote.

**Emerging and Developing Economies**

Europe and Central Asia

Retail sales in *Russia* decreased 5.8 percent (y/y) in March, compared to a downwardly revised 4.3 percent drop in February. Food sales declined 5.0 percent and non-food went down 6.5 percent. On a monthly basis, sales rose 5.1 percent.

At the same time, the unemployment rate in *Russia* was recorded at 6.0 percent in March, up from 5.8 percent in the previous three months and above market expectations of 5.9 percent. It was the highest...
rate since January 2013, as the number of unemployed people increased by 138,000 to 4.6 million while economically active increased by 200,000 to 76.1 million (52 percent of population).

The Polish economy expanded by 1.5 percent (q/q) in Q4 2015, following an upwardly revised 1.0 percent growth in Q3 and above preliminary estimates of 1.1 percent. It was the highest value since Q4 2007, boosted by public spending while investments and household consumption advanced at a slower pace. Year-on-year, the economy expanded by 4.3 percent compared to revised 3.4 percent growth in Q3 and above flash reading of 3.9 percent growth.

Sub-Saharan Africa

African stock market flotations are on track to reach their highest level since 2010, in dollar terms, according to analysis by Baker & McKenzie, the law firm. About $3.1bn is likely to be raised from at least 16 initial public offerings this year. If so, it would be the strongest year for African IPOs since 2010, when $4.4bn was raised.

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