Public Disclosure Authorized

103051

THE WORLD BANK
IBRD • IDA | WORLD BANK GROUP
Development Economics • Prospects
Global Daily
Economic News

Renewed selloff in global equity markets

Financial Markets

Global equities suffered renewed selloff on Wednesday as a further slump in oil prices exacerbated investor concern about the global economic outlook. The MSCI World equity index fell 2.6 percent to its lowest level since July 2013 in morning session. The benchmark stock gauge has slumped 11 percent thus far January, which if sustained would be the worst monthly drop since October 2008, with emerging market index tumbling 12.5 percent.

Oil prices extended their decline on Wednesday amid increased worries over the global supply glut and weakening demand. Brent crude, the global benchmark, was down 3.8 percent to $27.68 a barrel on London's ICE Futures exchange. West Texas Intermediate (WTI) fell 4.2 percent to $27.27 a barrel on the New York Mercantile Exchange, after trading as low as $27.16, the lowest since September 2003.

U.S. Treasury prices rallied, pushing 10-year yields to the lowest since October, as investors fled to safe-haven assets amid a renewed rout in global stocks. The yield on the benchmark 10-year Treasury note fell 8 basis points (bps) to 1.97 percent, and it touched 1.95 percent earlier, the lowest rate since October 2nd. The yield on the 30-year bonds slid 9 bps to 2.74 percent.

Public Disclosure Authorized

Advanced Markets

U.S. Consumer prices rose 0.7 percent (y/y) in December 2015, the highest rate in a year, but below expectations. Prices of services, especially shelter, medical care and transportation, rose the fastest. Falling energy prices continue to exert downward pressure on inflation.

The unemployment rate in the *U.K.* fell to 5.1 percent in the three months to November 2015, the lowest level since October 2005. The employment rate rose to 74 percent in October, the highest rate since 1971. Average weekly earnings including bonuses increased by 2 percent (y/y) in October, as pay growth continues to exceed inflation, boosting real income.

Consumer confidence in *Australia* dipped into pessimistic territory with a January reading of 97.3 of the Westpac-Melbourne Institute Consumer Sentiment Index. The decrease was led by pessimism on family finances.

Emerging and Developing Economies

East Asia and Pacific

Malaysia's consumer prices rose 2.7 percent (y/y) in December, as compared to a 2.6 percent increase in November and in line with market consensus. It is the highest figure since August, as a faster increase in prices of food offset a further decline in cost of transport while cost of housing & utilities were steady.

Sub-Saharan Africa

South Africa's consumer prices rose 5.2 percent (y/y) in December, up from a 4.8 percent rise in November and the biggest increase in a year. Figures came in line with expectations, due to higher cost for food, transport and household contents and services. Annual core inflation rate, which excludes prices of food, non-alcoholic beverages, petrol and energy was 5.2 percent, slightly up from 5.1 percent in November.

The Central Bank of *Kenya* left its benchmark interest rate unchanged at 11.5 percent, concluding that the current inflation pressures are temporary and the monetary policy measures currently in place are containing any demand pressures in the economy. The decision came in line with market expectations

January 20, 2016

The Global Daily is an informal briefing on global economic and financial developments compiled by the World Bank's Development Economics Prospects Group. Recent issues, together with analysis of a variety of macroeconomic topics, covered by the Group, may be found at:
http://www.worldbank.org/prospects.

The views expressed in the Global Daily do not necessarily reflect those of The World Bank Group, its Board of Executive Directors, or the governments they represent. Feedback and requests to be added to or dropped from the distribution list may be sent to: Derek Chen (dchen2@worldbank.org).