
Financial Markets

The euro climbed while Eurozone stocks and government bonds traded lower on Thursday after the European Central Bank affirmed its commitment to tackle low inflation and weakening growth, but stopped short of hinting of new stimulus measures. The single currency rose as much as 1 percent against the dollar to $1.1398, recovering sharply from an earlier low of $1.1283. German 10-year Bund yields rose 7 basis points to 0.216 percent after climbing to as high as 0.24 percent earlier. Europe’s Stoxx 600 stock index was down 0.6 percent, easing back from a three-day winning streak.

U.S. Treasury prices tumbled, sending yields to April highs, amid a global government bond retreat started in Europe and continued in the U.S., to some extent driven by stronger-than-expected U.S. economic data. The yield on the U.S. 10-year Treasury note climbed 3.3 bps to 1.879 percent, its highest level since March 29, after posting its largest single-day increase on Wednesday. The yield on the 2-year Treasury securities rose 1.6 bps to 0.814 percent, while the 30-year bond yield gained 4.2 bps to 2.697 percent.

Advanced Markets

U.S. first-time claims for unemployment benefits was 247,000 in the week ended April 16th, a decrease of 6,000 from the previous week’s unrevised level of 253,000, staying below market expectations of 263,000. It was the lowest reading since November 24, 1973 when it was recorded at 233,000. This marks 59 consecutive weeks of initial claims below 300,000, the longest streak since 1973. The 4-week moving average was 260,500, a decrease of 4,500 from the previous week’s unrevised average of 265,000.

The European Central Bank (ECB) left its benchmark refinancing rate on hold at a record low of 0.0%, as expected, following the 5 bps cut in March. Rates are expected to stay at present or lower levels for an extended period of time. Meanwhile, the asset purchase program was kept at €80 billion a month but the central bank said will start buying corporate bonds in June.

Sweden’s central bank left its benchmark rate unchanged at -0.50 percent in April. The Riksbank expects to expand its quantitative easing by SEK 45 billion during the second half of 2016, bringing the total asset purchased at the end of 2016 to SEK 245 billion. This is to ward off appreciation of the Krona and maintain the inflation target at 2 percent. Inflation jumped to 0.8 percent in March from 0.4 percent in February. The GDP growth outlook for 2016 was revised upward to 3.7 percent from 3.5 percent.

Emerging and Developing Economies

East Asia and Pacific

Indonesia’s central bank kept its benchmark interest rate on hold at 6.75 percent, as expected, after three rate cuts in a row so far this year. Policymakers said the decision was in line with efforts to achieve the 2016 inflation target of 4±1% and support domestic economic recovery, amid weak global economic
growth. Bank Indonesia also left its overnight deposit facility rate and lending facility rate unchanged at 4.75 percent and 7.25 percent respectively.

**Europe and Central Asia**

The central bank of Ukraine lowered its benchmark interest rate by 300 bps to 19 percent, as inflationary pressures eased, subdued domestic demand, and stabilization of inflation expectations. Going forward, unless that inflationary risks increase, the central bank intends to resume the gradual easing of monetary policy.

Consumer confidence in Turkey increased to 68.5 in March from 67 in February. Households were more optimistic about probability of saving, employment, general economic situation and financial situation.

**Latin America and the Caribbean**

The Central Bank of Paraguay kept its interest rate on hold at 6 percent, in order for inflation to converge towards 4.5 percent amid a worsening global growth outlook. Inflation rate was recorded at 4.7 percent in March compared with 5.2 percent in February.

**Sub-Saharan Africa**

The central bank of Mozambique raised its benchmark lending rate by 200bps to 12.75 percent, as policymakers voiced concerns about rising inflation amid a sharp depreciation of the country's currency and a severe drought affecting southern and central areas. Inflation rate was last recorded at 13.6 percent in March, its highest level in five years.

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