

Friday, 8<sup>th</sup> March 2019

## Morning Round Up

### China February exports tumble the most in 3 years, heighten global slowdown fears

China's exports tumbled the most in three years in February while imports fell for a third straight month, pointing to a further slowdown in the economy despite a spate of support measures. While seasonal factors may have been at play, the shockingly weak readings from the world's largest trading nation added to worries about a global slowdown, a day after the European Central Bank slashed growth forecasts for the region. Asian stock markets and US futures extended early losses after the data. Chinese stocks sank over 3%. Global investors and China's major trading partners are closely watching Beijing's policy reactions as economic growth cools from last year's 28-year low. February exports fell 20.7% from a year earlier, the largest decline since February 2016, customs data showed. Economists had expected a 4.8% drop after January's unexpected 9.1% jump. Imports fell 5.2% from a year earlier, worse than analysts' forecasts for a 1.4% drop and widening from January's 1.5% decline. Imports of major commodities fell across the board. That left the country with a trade surplus of \$4.12bn for the month, much smaller than forecasts of \$26.38bn.

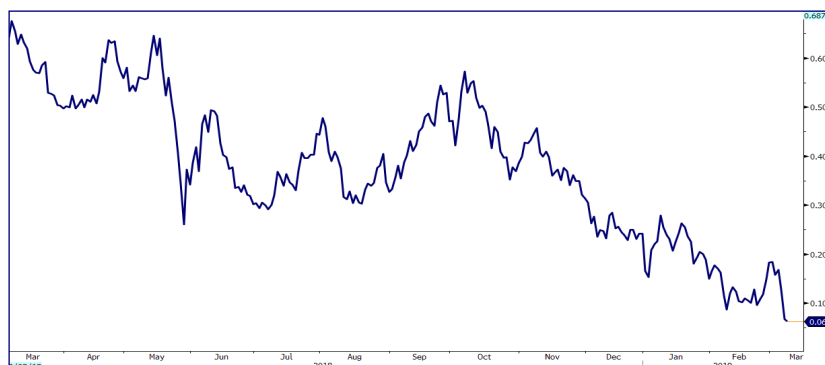
However, data from China in the first two months of the year should be read with caution due to business disruptions caused by the long Lunar New Year holidays, which came in mid-February in 2018 but started on February 4 this year.

### ECB sounds a dovish tone

It wasn't a big bazooka but the ECB defiantly surprised expectations yesterday by shifting forward-guidance and announcing details of new TLTRO operations. Both had been expected to come at later meetings in April and June but bringing the announcements forward suggests that there was little in the way of disagreement. This had been evident recently as "hawks" such as Dutch Central Bank Governor Klaas Knot and the Bundesbank's Jens Weidmann had toned down their views and accepted the need for a wait-and-see approach as well as to look at the case for TLTROs. In terms of specifics, the forward-guidance does not drop the time reference but instead pushes this out until the "end of 2019" as opposed to "Summer of 2019". The new TLTRO operations will be labelled TLTRO3.

The key takeaways: (1) There will be more TLTRO3s, with seven operations, ending in March 2021. This is a lot more than the TLTRO2s where there were only four operations conducted. (2) The TLTRO3s will be variable rate indexed to the MRO (main refinancing operation) rate over the life of the operation. This will allow the ECB to deliver interest-rate lift-off and for this to feed through into higher liquidity costs. (3) Borrowing will be restricted to a total amount up to 30% of eligible loans as at 28 February 2019. (4) There will be a gap between the first of the TLTRO2s going below a 1-year maturity in June and the first of the TLTRO3 operations that will be conducted in September 2019.

### German 10 yield one year history



Source: Bloomberg, CF Research March 2019

### Key Upcoming Events

08/03/2019 US Non Farm Payrolls  
12/03/2019 Commons vote on Withdrawal Agreement

### Market View

Global equities fell this morning as fears over global growth weighed on market sentiment. The OECDs downward revision to its growth forecasts earlier in the week, the ECB downgrade yesterday and poorer trade data from China last night have heightened concerns over the global economy. The S&P 500 closed below the 200 DMA yesterday evening. Risk off sentiment has seen cash flow into safe haven assets with bond yields falling, the yen strengthening and gold strengthening. The 10 year bund has dropped to 6bps having reach 18bps last week. Investors will look to the US jobs figures today for further signs of the direction of growth.

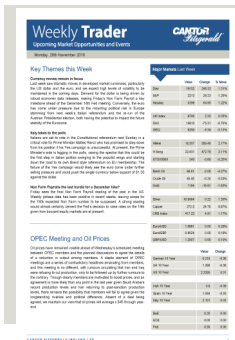
### Market Moves

	Value	Change	% Change	% Change YTD
Dow Jones	25473	-200.23	-0.78%	9.20%
S&P	2749	-22.52	-0.81%	9.66%
Nasdaq	7421	-84.46	-1.13%	11.85%
Nikkei	21026	-430.45	-2.01%	5.05%
Hang Seng	28228	-551.03	-1.91%	9.22%
Brent Oil	65.44	-0.86	-1.30%	21.64%
WTI Oil	56.12	-0.54	-0.95%	23.59%
Gold	1294	8.15	0.63%	0.88%
€/\$	1.1205	0.00	0.11%	-2.28%
€/£	0.8554	0.00	0.00%	-4.84%
£/\$	1.3099	0.00	0.11%	2.71%

	Yield	Change
German 10 Year	0.066	0.00
UK 10 Year	1.179	0.01
US 10 Year	2.6357	0.00
Irish 10 Year	0.684	0.00
Spain 10 Year	1.061	0.02
Italy 10 Year	2.50	0.0300

Source: Bloomberg, CF Research March 2019

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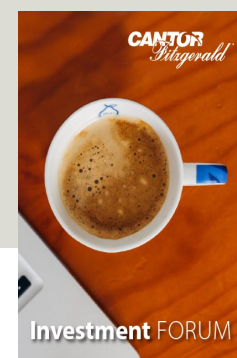
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