



Global Daily

German IP weakened late in 2011



Financial Markets Research

8 February 2012

www.rabotransact.com

Adrian Foster
+852 - 2103 2612

Market comments

- Equities ticked modestly higher on both sides of the Atlantic Tuesday with the Estoxx 50 gaining 0.2% to close at 2,514. The Financials sub-index rose 1.0% on the day, underpinning a slightly positive net feel to the session even though the rise in the overall index was small. In the US, the S&P 500 also gained 0.2%, closing at 1,347. Here, the Financials sub-index fell -0.1%, leaving the net tone of the session as neutral.
- The euro gained 1% vs the dollar as market nerves surrounding Greece ebbed a bit amidst the ongoing debt discussions.
- **Industrial production fell quite sharply in Germany in December;** a weak end to the year! IP fell by -2.9% MoM, noticeably weaker than a flat reading expected. The reading for November was revised higher from -0.6% to flat and this partly reduces the negative surprise in December if one thinks in level terms. But the reading clearly shows a weak end to the year. Looking at the fourth quarter as a whole, industrial output fell by -1.9% QoQ. This is the first quarterly fall in 11 quarters.
- **There is now a very strong consensus that the eurozone economy as a whole contracted in the fourth quarter of 2011.** But there is some debate about whether Germany's economy might eke out modest growth. These data support the view that Germany's economy also likely contracted in the quarter. To offer perspective on the severity of this probable decline, German IP fell for four straight quarters amidst the 2008-2009 recession with the deepest decline being a fall of -11.9% QoQ in the first quarter of 2009. The current weakness is much less severe than this.
- **In the US, a surprisingly strong reading on consumer credit in December** with outstanding credit rising by \$19.3B in the month. This is well in excess of \$7.0B expected and repeats a strong reading, of \$20.4B, in November. The rise in credit outstanding averaged \$5.0B from October 2010 (when it turned positive after the recession) to October 2011.
- **It has now risen sharply for two months in a row in a signal that consumers are more willing and able to access credit.** This recent rise in credit looks (to us) to overstate the improvement in consumer spending power and some pay-back is likely in coming months. But, at the least, these data do add to reasons to think consumption growth will continue in the US as financial headwinds have receded.

Day ahead

- **Germany remains in focus today with the December foreign trade accounts set to be revealed.** Germany's export performance is a bellwether for global demand conditions and exports are expected to fall -1.0% MoM. Exports fell -2.9% MoM in October, finding resonance with then concerns surrounding a relapse to global recession. But exports then rebounded 2.5% MoM in November, lessening these concerns.
- **A fall in line with expectations in December (-1.0% MoM) will round-out a weak (and volatile) quarter** and see exports fall -0.1% on a QoQ basis. If realized, this will be the first quarterly fall in 10 quarters (little different than the IP profile discussed above). Again, to offer perspective, the deepest quarterly fall in exports through the recession of a few years ago was -14.0% QoQ.
- The trade surplus is expected to remain robust at €13.8B in the month, leading to an annual surplus of €160.2B, the second highest such surplus (just behind €160.6B for the year-ending May 2011) since early 2009. **Thus, the net picture is that Germany maintains a strong external position.**

G5 macro data releases and key events

Time (CET)	Ctry	Indicator	Period	Cons	Actual	Prior
Overnight						
0:50	JN	Official Reserve Assets	JAN	--	\$1306.7B	\$1295.8B
1:01	UK	BRC Sales Like-For-Like (YoY)	JAN	-0.8%	-0.3%	2.2%
6:00	JN	Coincident Index CI	DEC P	93.1	93.2	90.3
6:00	JN	Leading Index CI	DEC P	93.8	94.3	93.2
12:00	GE	Industrial Production (MoM) sa	DEC	0.0%	-2.9%	-0.6%
12:00	GE	Industrial Prod. (YoY) nsa wda	DEC	4.3%	0.9%	4.4%
16:00	US	IBD/TIPP Economic Optimism	FEB	48.6	49.4	47.5
16:00	US	JOLTs Job Openings	DEC	3,250	3,376	3,118
21:00	US	Consumer Credit	DEC	\$7.000B	\$19.308B	\$20.375B
Today						
0:50	JN	Bank Lending incl Trusts (YoY)	JAN	0.6%	0.6%	0.4%
0:50	JN	Current Account sa	DEC	¥625.3B	¥752.3B	¥480.4B
0:50	JN	Trade Balance - BOP Basis	DEC	-¥135.0B	-¥145.8B	-¥585.1B
1:01	UK	BRC Shop Price Index YoY	JAN	--	1.4%	1.7%
5:30	JN	Bankruptcies (YoY)	JAN	--	--	-6.3%
6:00	JN	Eco Watchers Survey: Current	JAN	47.4	--	47.0
6:00	JN	Eco Watchers Survey: Outlook	JAN	45.5	--	44.4
8:00	GE	Current Account (EURO)	DEC	15.2B	--	14.3B
8:00	GE	Trade Balance	DEC	13.8B	--	16.2B
8:00	GE	Exports (MoM) sa	DEC	-1.0%	--	2.5%
8:00	GE	Imports (MoM) sa	DEC	0.8%	--	-0.4%
13:00	US	MBA Mortgage Applications	3-Feb	--	--	-2.9%

Source: Bloomberg

Overnight Markets

	Last	Previous	Change
Equity markets			
DJ Industrials	12878.2	12845.1	0.3%
S&P 500	1347.1	1344.3	0.2%
Eurostoxx 50	2514.1	2507.9	0.2%
DAX-30	6754.2	6764.8	-0.2%
FTSE 100	5890.3	5892.2	0.0%
Nikkei 225	8917.5	8929.2	-0.1%
HK Hang Seng	20827.9	20699.2	0.6%
Money markets			
3M EUR	1.09	1.09	-1 bp
3M USD	0.52	0.52	0 bp
3M GBP	1.08	1.08	0 bp
3M JPY	0.20	0.20	0 bp

Source: Bloomberg

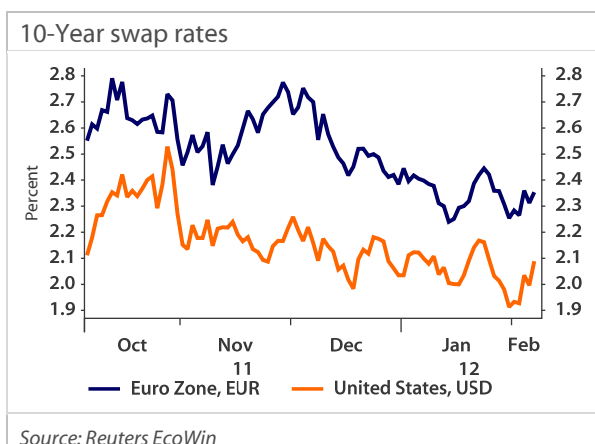
	Last	Previous	Change
Sovereigns			
10Y Treasuries	1.96	1.91	6 bp
10Y Bunds	1.96	1.89	8 bp
10Y JGBs	0.98	0.97	1 bp
10Y Gilts	2.22	2.16	6 bp
Currencies			
EUR/USD	1.3249	1.3130	0.9%
GBP/USD	1.5891	1.5821	0.4%
USD/JPY	76.90	76.55	0.5%
Commodities			
Oil Brent 1st fut.	116.0	116.2	-0.2%
CRB future	315.0	314.2	0.3%
Gold spot \$/oz	1748.8	1745.5	0.2%

Rabobank Forecasts

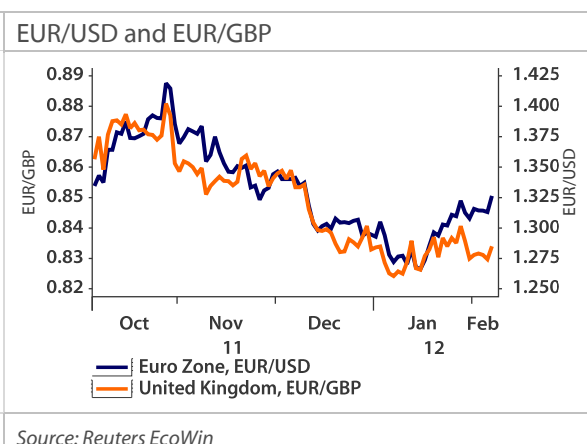
EUR	08-02-12	1M	3M	12M
ECB refi rate	1.00	1.00	1.00	1.00
3m Euribor	1.09	1.05	1.01	0.86
2y swap	1.15	1.13	1.10	1.50
5y swap	1.60	1.65	1.75	2.30
10y swap	2.35	2.40	2.50	3.00
30y swap	2.60	2.55	2.45	4.20
USD	08-02-12	1M	3M	12M
Fed funds target	0.25	0.25	0.25	0.25
3m Libor	0.52	0.52	0.52	0.52
2y swap	0.54	0.54	0.54	0.78
5y swap	1.09	1.09	1.09	1.59
10y swap	2.08	2.08	2.08	2.63
30y swap	2.83	2.83	2.83	3.35

Source: Rabobank Financial Markets Research

GBP	08-02-12	1M	3M	12M
Base rate	0.50	0.50	0.50	0.50
3m Libor	1.08	1.04	0.80	0.73
2y swap	1.27	1.28	1.28	1.40
5y swap	1.65	1.60	1.61	2.54
10y swap	2.49	2.41	2.52	2.64
30y swap	3.15	3.11	3.05	4.60
FX	08-02-12	1M	3M	12M
EUR/USD	1.32	1.28	1.25	1.40
EUR/JPY	101.9	99.0	98.0	116.0
EUR/GBP	0.83	0.83	0.82	0.86
EUR/CHF	1.21	1.22	1.24	1.35
USD/JPY	76.9	77.0	78.0	83.0
GBP/USD	1.59	1.55	1.52	1.63



Source: Reuters EcoWin



Source: Reuters EcoWin

Financial Markets Research

Head

Jan Lambregts +44 20 7664 9669 Jan.Lambregts@Rabobank.com

Macro

Elwin de Groot	EMU	+31 30 216 9012	Elwin.de.Groot@Rabobank.com
Emile Cardon	EMU	+31 30 216 9013	Emile.Cardon@Rabobank.com
Philip Marey	US	+31 30 216 9721	Philip.Marey@Rabobank.com
Adrian Foster	Asia	+852 2103 2612	Adrian.Foster@Rabobank.com
Jane Foley	UK	+44 20 7809 4776	Jane.Foley@Rabobank.com
Robério Costa	Brazil	+55 11 5503 7315	Roberio.Costa@Rabobank.com

Foreign exchange

Jane Foley +44 20 7809 4776 Jane.Foley@Rabobank.com

Fixed income

Richard McGuire	+44 20 7664 9730	Richard.McGuire@Rabobank.com
Lyn Graham-Taylor	+44 20 7664 9732	Lyn.Graham-Taylor@Rabobank.com

Credit markets

Elisabeth Selk	Head, ABS, Strategy, Corps	+44 20 7664 9841	Elisabeth.Selk@Rabobank.com
Eddie Clarke	Strategy, Corporates	+44 20 7664 9842	Eddie.Clarke@Rabobank.com
Oliver Burrows	Financials	+44 20 7664 9874	Oliver.Burrows@Rabobank.com
Nanakarina Kwofie	Financials	+44 20 7664 9591	Nanakarina.Kwofie@Rabobank.com
Sophie Boutar	ABS, Corporates	+44 20 7664 9782	Sophie.Boutar@Rabobank.com
Stephen Queah	ABS, Corporates	+44 20 7664 9895	Stephen.Queah@Rabobank.com

Agri Commodity markets – Food & Agribusiness Research and Advisory (FAR)

Luke Chandler	Head	+44 20 7664 9514	Luke.Chandler@Rabobank.com
Keith Flury		+44 20 7664 9676	Keith.Flury@Rabobank.com
Erin FitzPatrick		+44 20 7664 9540	Erin.Fitzpatrick@Rabobank.com
Nicholas Higgins		+44 20 7664 9543	Nicholas.Higgins@Rabobank.com

Sales contacts

Corporate Sales

Brandon Ma	Asia	+852 2103 2688	Brandon.Ma@Rabobank.com
Andrew Millett	Australia	+61 2 8115 3101	Andrew.Millett@Rabobank.com
Martijn Sorber	Europe	+31 30 216 9447	Martijn.Sorber@Rabobank.com
Sarah Lee	USA	+1 212 916 7875	Sarah.Lee@Rabobank.com
Jeff Gibson	Canada	+1 212 808 6877	Jeff.Gibson@Rabobank.com
Gaston Iroume	Chile, Peru	+56 2449 8536	Gaston.Iroume@Rabobank.com
Sergio Nakashima	Brazil	+55 11 55037150	Sergio.Nakashima@Rabobank.com2

Financial Institutions Sales

Eddie Villiers	Europe	+44 20 7664 9834	Eddie.Villiers@Rabobank.com
Arjan Brons	Benelux	+31 30 21 69070	Arjan.Brons@Rabobank.com
Bill Cole	UK, Eire, Scandinavia, M. East	+44 20 7664 9885	Bill.Cole@Rabobank.com
Emmanuel Rodriguez	Iberia	+44 20 7664 9734	Emmanuel.Rodriguez@Rabobank.com
Philippe Macart	France, Italy	+44 20 7664 9893	Philippe.Macart@Rabobank.com
Krishna Nayak	Germany, Austria	+44 20 7664 9883	Krishna.Nayak@Rabobank.com
Mark Melvin	Switzerland	+44 20 7809 9828	Mark.Melvin@Rabobank.com
Edwin Bernard	Asia	+852 2103 2639	Edwin.Bernard@Rabobank.com
Masanori Matsuda	Japan	+81 3 5200 8031	Masanori.Matsuda@Rabobank.com
Sarah Lee	USA	+1 212 916 7875	Sarah.Lee@Rabobank.com

Debt Capital Markets

Rob Eilering	+31 30 2169777	Rob.Eilering@Rabobank.com
Othmar ter Waarbeek	+31 30 2169022	Othmar.ter.Waarbeek@Rabobank.com
Mark van Binsbergen	+31 30 2169771	Mark.van.Binsbergen@Rabobank.com

Disclaimer

This document is issued by Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. incorporated in the Netherlands, trading as Rabobank International ("RI"). RI is authorised by De Nederlandsche Bank and by the Financial Services Authority and regulated by the Financial Services Authority for the conduct of UK business. This document is directed exclusively to Eligible Counterparties and Professional Clients. It is not directed at Retail Clients.

This document does NOT purport to be an impartial assessment of the value or prospects of its subject matter and it must not be relied upon by any recipient as an impartial assessment of the value or prospects of its subject matter. No reliance may be placed by a recipient on any representations or statements outside this document (oral or written) by any person which state or imply (or may be reasonably viewed as stating or implying) any such impartiality.

The information and opinions contained in this document have been compiled or arrived at from sources believed to be reliable, but no representation or warranty, express or implied, is made as to their accuracy, completeness or correctness. This document is for information purposes only and is not, and does not constitute or intends to constitute investment advice or any investment service as referred to in the Act on Financial Supervision. You must make your own independent decisions regarding any securities or financial instruments mentioned herein. You are advised to seek independent professional advice as to the suitability of any products and their tax, accounting, legal or regulatory implications.

All opinions expressed in this document are subject to change without notice. Neither RI, nor other legal entities in the group to which it belongs accept any liability whatsoever for any direct or consequential loss howsoever arising from any use of this document or its contents or otherwise arising in connection therewith. Insofar as permitted by the Rules of the Financial Services Authority, RI or other legal entities in the group to which it belongs, their directors, officers and/or employees may have had or have a long or short position and may have traded or acted as principal in the securities described within this document, (or related investments). Further it may have or have had a relationship with or may provide or have provided corporate finance or other services to companies whose securities (or related investments) are described in this document. The distribution of this document in other jurisdictions may be restricted by law and recipients of this document should inform themselves about, and observe any such restrictions. This document may not be reproduced, distributed or published, in whole or in part, for any purpose, except with the prior written consent of RI. By accepting this document you agree to be bound by the foregoing restrictions.

© Rabobank International, Croeselaan 18, 3521 CB Utrecht, The Netherlands