



Daily European Opening News

The following report is compiled by analysing hundreds of sources to get to you all the relevant market moving information ahead of the European open.



14th March 2011

ASIA

JAPAN UPDATE (Nikkei / Kyodo / Jiji / NHK / RTRS / Sources) ** JGBs were trading at 139.91 (+0.71) at 0548 GMT – Nikkei trading -6.2%**

The BoJ eased its monetary policy further after Friday's devastating earthquake and tsunami in northeast Japan. The central bank voted by 8-1 to expand a fund pool for buying assets and conducting market operations backed by collateral by JPY 5trl, to JPY 40trl. The key rate was kept on hold at 0-0.10% by unanimous decision. Meanwhile the BoJ pumped a record JPY 15trl into money markets to stabilise the banking system. Japanese finance minister Noda said the government highly values BoJ moves, adding that he wants BoJ to continue close cooperation with the government.

Risk modelling company AMR Worldwide has said the earthquake could lead to insured losses of nearly USD 35bln, making it one of the most expensive catastrophes in history, even without expected additional tsunami losses that are not yet counted.

Moody's has said it does not see an immediate fiscal crisis in Japan in the aftermath of the massive earthquake. Also, S&P said earthquake has significant impact on Japan, however there is no immediate effect on AA- sovereign rating. It also said additional costs will add to already existing fiscal weakness.

Status of the Fukushima Nuclear Power Plant::

Reactor 1: Explosion occurred on Saturday. **Reactor 2:** Cooling functions have stopped and water levels are falling. **Reactor 3:** Hydrogen explosion occurred on Monday, however the core container is still intact. TEPCO the operator of the plant has warned a meltdown is possible at the No. 3 reactor if the fuel rods remain exposed.

BOJ Target Rate (Mar) M/M 0.10% vs. Exp. 0.10% (Prev. 0.10%)
Japanese Industrial Production (Jan F) M/M 1.3% vs. Prev. 2.4%; Y/Y 3.5% vs. Prev. 4.7%
Japanese Capacity Utilisation (Jan F) M/M 3.6% vs. Prev. 3.0%
Japanese Consumer Confidence (Feb) M/M 40.7 vs. Prev. 41.1 (RTRS)

ECB's Bini Smaghi says inflationary pressures remain in China which means the PBOC will need to continue to raise interest rates. (Il Foglio)

The ECB executive board member also said the lack of flexibility in the CNY is a factor in boosting inflation.

GLOBAL

The Bank of International Settlements in their quarterly review have said the credibility of central banks appears to remain high but could suffer if they mistime their policy response to building inflationary pressures. (RTRS/Sources)

It also said that the long term inflation expectations remain quite stable as the world economy recovers from the credit crisis, suggesting confidence in central banks to deliver constant prices.

US

T-notes finished the session in positive territory following a flight to safety following the Japanese Earthquake on Friday morning, prices did reach an earlier high of 120.04 before retracing during US trading on an increase in equity risk appetite. At the pit close T-notes settled at 119.21+, up 19+ ticks. Also worth noting that at the closing bell, DJIA 12043.93 (0.50%), S&P 500 1304.24 (0.70%), NASDAQ 100 2299.26 (0.66%). At 0634GMT UST's were trading up 2+ ticks to 119.24+ as focus remains firmly on the devastation in Japan with the Nikkei trading down over 6%.

Senior US lawmakers in both parties said that Congress will pass a stopgap spending bill to avert a government shutdown this week, but warned there are still big obstacles to long-term deals on the budget and debt. (RTRS)

EUROPEAN

Eurozone leaders agree to revamp financial safety net (RTRS / Handelsblatt)

- Effective lending capacity of the EFSF to be raised to EUR 440bln from EUR 250bln; Eurozone countries will increase their guarantees for the EFSF's borrowing.
- All new EFSF loans will have a lower interest rate than before, matching the IMF loan rate.
- The EFSF may intervene in the primary debt market
- However, EU's Van Rompuy has said the EFSF will not buy bonds on the secondary market.
- Greece will receive a 100BPS cut on the interest rate on their loans and an extension of the loans to 7.5 years from 3 years
- Ireland will not receive a lower interest rate as it has refused to discuss a Eurozone harmonised corporate tax base.

ECB's Trichet says the ECB bond buying program is temporary and price stability if the ECB's main priority (Der Spiegel)

The ECB President will also appeal to the European parliament for harsher sanctions against Eurozone debtor nationals.

FX

PBOC's adviser, Xia Bin, suggested a relatively large one time CNY revaluation when necessary to reflect the development of real economy, adding that the revaluation could be achieved through small daily moves and a gradual expansion of CNY's trading band. (Caijing)

GEOPOLITICAL

The Arab League officially requests the UN Security Council impose a no-fly zone in Libya against any military action against the Libyan people. (RTRS)

In latest news, France was stepping up efforts on Monday to persuade world powers to impose a no-fly zone over Libya.

The leader of Libya's rebellion has warned countries that have failed to support the uprising against Muammer Gaddafi that they would be denied access to Libya's vast oil riches if the regime is deposed. (FT - [More](#))

Mustafa Abdel Jalil, head of the opposition National Council, told the Financial Times that any post-Gaddafi leadership would adjust Libya's oil policies "according to the positions countries are taking towards Libya in these difficult times". In other news, Forces loyal to Muammer Gaddafi pounded two coastal cities held by rebels on Sunday, and appear to have taken Brega, the site of a large oil terminal near the rebel capital of Benghazi, in the latest setback for Libya's revolution. ([More](#))

Elsewhere in the MENA Region: (Al Jazeera)

- **Yemen:** Dozens have been injured after security forces fired live rounds and tear gas at anti-government protesters in the capital.
- **Bahrain:** Riot Police use rubber bullets to clear anti-government demonstrators from the key financial hub in Manama
- **Oman:** Sultan Qaboos grants legislative powers to two councils, one elected and another appointed in a bid to stem protests.

COMMODITIES

Oil dropped to a two-week low on concern the earthquake in Japan will limit demand in the world's third largest economy. WTI crude futures were trading at USD 99.88, down USD 1.28, at 0625 GMT. (Sources)