

Single Supervisory Mechanism was in a sense "encouraging creative destruction in the banking sector". He said he wanted to avoid "zombie banks" that do not lend and that interfere with the "churn process between firms entering and exiting the market that is a crucial driver of productivity". We wouldn't disagree with these comments. As we have argued many times in the past, low default rates are a big feature of this high liquidity world which is great if you're a credit investor but its highly debatable whether it's good for the wider economy in so much as it distorts the efficient allocation of capital. Defaults are a good thing through time. However with so much debt outstanding now we may have long passed the point where you can allow defaults without causing major systemic concerns and subsequent economic weakness. On a separate matter, but also related to the banking industry, the FT wrote yesterday that Barclays is planning a "radical overhaul" of its investment bank with a new management strategy to be unveiled before the summer.

Looking at the day ahead, it's likely that the focus will remain squarely on geopolitical developments rather than economic data. All eyes are on the Kerry-Lavrov meeting in London today, but it's fair to say that expectations of this meeting are low at this point. The world will be watching the Crimean referendum on Sunday, but as we mentioned above, the outcome of the vote seems pretty certain at this point and it will be more about how the protagonists react to the formality. The main data releases are US producer prices and the UofMichigan consumer confidence report.

Other Market Data

(ITX Sen Fin @ 95 // +6)
(ITX Sub Fin @ 141 // +6)
(CDX EM @ 328 // +5)
(ITX Japan @ 81 // +2)
(ITX Australia @ 107 // +4)
(ITX Asia XJ @ 133 // +2)
(Euro NonSov @ 82.74 // +1)
(Euro Corp @ 117 // +1)
(Euro BBB @ 154.09 // +1)
(Sterling NonGilt @ 125 // +1)
(Sterling Corp @ 152 // +1)
(Sterling BBB @ 199 // +1)
(WTI Oil^ @ 98.19 // +0.34%)
(Dollar Index^ @ 79.66 // +0.06%)
(EUR/USD^ @ 1.386 // -0.32%)
(DJ Stoxx 600 @ 325 // -1.05%)
(NIKKEI @ 14318 // -3.36%)
(Hang Seng @ 21484 // -1.25%)
(VIX @ 16.22 // +1.75)

Key Economic Data

(Release // DB // Prev // Con)
(Producer price index (Feb) // +0.2% // +0.2% // +0.2%)
(Ex food & energy // +0.2% // +0.2% // +0.1%)
(Consumer sentiment (Mar pre.) // 80.0 // 81.6 // 82.0)

Topical Deutsche Bank Publications

* Focus Europe - Euro Futurism, 28 Feb 2014, http://pull.db-gmresearch.com/p/2983-86F5/71648899/DB_FocusEurope_2014-02-28_0900b8c087fc239c.pdf
* Data Flash - ECB: Stuck, 6 Mar 2014, http://pull.db-gmresearch.com/p/2852-8B34/84723838/DB_DataFlash_2014-03-06_0900b8c08801cb83.pdf
* European Equity Strategy - Global credit impulse - the already substantial EM adjustment, 7 Mar 2014, <http://pull.db-gmresearch.com/p/4703-7FF9/85443988/0900b8c087f868af.pdf>
* Asset Allocation - Breakout Should Sustain, 6 Mar 2014, <http://pull.db-gmresearch.com/p/1350-9767/84959161/0900b8c087ffdbd5.pdf>
* Global Economic Perspectives - Asia's export engine revs up, 28 Feb 2014, http://pull.db-gmresearch.com/p/1755-1B73/70852402/DB_GEP_2014-02-28_0900b8c087f7322a.pdf
* China Special Report - China: growth and reform targets for 2014, 6 Mar 2014, <http://pull.db-gmresearch.com/p/2207-8BAE/81060578/0900b8c088006d7d.pdf>
* Special Report - Ukraine & Global Commodities, 3 Mar 2014, http://pull.db-gmresearch.com/p/5-269F/76422456/DB_SpecialReport_2014-03-03_0900b8c087fe8cd4.pdf

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