

# Morning MoneyBeat Europe: China, Ukraine Hang Heavy

ByWSJ Staff

## Good Morning Europe

Ongoing worries about Chinese growth and the sinking feeling that tensions bedeviling Ukraine weren't permanently exorcised by last week's halt to Russian military exercises on its borders—a move that lifted markets considerably at the time—have left investors short of reasons to buy.

U.S. stocks took another modest knock Tuesday, but its effects were amplified in an Asian session which saw the Nikkei shed over 2.5% despite the lack of an obvious new “bad news” story.

Sure enough, European indexes are expected to start the session lower, and, with only euro-zone industrial production data on tap, the bulls aren't likely to find much reason to charge, especially as European nations continue to weigh sanctions against Russia.

By David Cottle

**Market Snapshot:** U.S. stocks (Tuesday close) DJIA down 0.4%, Nasdaq down 0.6%, S&P 500 down 0.5%. Nikkei (Wednesday close) down 2.6%. March FTSE and S&P both now down 0.1%. Brent crude down 30 cents at \$107.58. Gold up \$11 at \$1,357.70. EUR/USD now at \$1.3859, just below \$1.3860 late Monday in New York. USD/JPY at ¥102.86, below ¥103.01. Ten-year T-note yields 2.76%, Bund 1.64% and Gilt 2.78%.

**Watch For:** Euro-zone industrial production numbers.

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**What you may have missed from MoneyBeat:**

**[UniCredit Loss Must Be the Biggest, Right? Wrong:](#)** You could be forgiven for assuming that UniCredit's surprise €14 billion (\$19.3 billion) annual loss Tuesday must be a record. But you would be wrong. It's not even close.

**[That Massive UniCredit Loss? Could Have Been Worse:](#)** It's hard to believe, but UniCredit SpA's awful fourth-quarter results easily could have been even worse.

**Is the BOE Determined to Be Behind the Curve?:** How far behind the inflation curve will the Bank of England be when it starts to hike rates? The consistent message from the Bank itself is that it won't start until a substantial part of the economy's remaining spare capacity is used up.

**Bitcoin Foundation Addresses the Currency's Image Problem:** The Bitcoin Foundation hired away a senior member of the Cato Institute's team to help navigate the regulatory shoals in which the digital currency is sailing, and to help "build confidence." Which highlights the obvious question: Does bitcoin have an image problem? And how does a group with all of eight employees change that?

**Why FX Traders Trade: A Reminder:** One issue that kept coming up in the Mark Carney's parliamentary committee hearing on FX Tuesday: Why is it OK for banks to trade FX around the fix? Why is it tolerated at all?

**Busy Portugal Quietly Swaps a Note:** Portugal did a debt swap last month, and almost no one noticed. The country has been busy in the bond markets of late, with a government bond exchange, new issuance and a buyback—aimed at reducing the amount of new borrowing Portugal will need to do when the financial aid from its international bailout stops flowing later this year.

**Pimco Trustee Bashes Bill Gross's \$200 Million Salary:** The knocks against the bond king keep coming. The latest critique against Bill Gross, co-founder of bond behemoth Pacific Investment Management Co., comes from a longtime trustee to the firm, who lashed out at Mr. Gross's reported \$200 million annual salary.

**Co-op Group CEO's Full Statement on His Resignation:** Co-Operative Group, the struggling U.K. mutual, confirmed Tuesday the widely reported resignation of Chief Executive Euan Sutherland. He has been replaced on an interim basis by CFO Richard Pennycook.

**From The Wall Street Journal:**

**West Readies Sanctions on Russia, Warily:** The U.S. and Europe are readying sanctions that stand to drive a wedge into more than a decade of efforts to integrate Russia into the West's financial system, said current and former U.S. officials involved in the deliberations.

**Europe's Telecoms Companies Push to Merge:** From France, to Spain, to Germany, executives are pushing forward with a round of deal making, raising pressure on regulators to bless a consolidation drive across the region's fragmented array of operators.

**China Will Free Interest Rates:** China's top central banker put the country on course to free up interest rates on bank deposits within two years, an unprecedented move that would force the nation's lenders to compete for customers by offering the best terms.

**Bank of England Vows Greater Oversight:** The Bank of England, entangled in a probe of possible manipulation in currency markets, will appoint a new senior official to tighten internal

oversight and will join forces with other central banks to examine the matter, its governor, Mark Carney, said.

**UniCredit Posts Massive Loss:** Italy's largest lender by assets Tuesday reported one of the largest losses ever recorded by a European bank, the result of an aggressive cleanup of its balance sheet ahead of a coming health check by European regulators.

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