

Asia markets plunge amid recession fears
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Asian stock markets plummeted this morning following carnage in the US and European markets amid fears the world was heading towards another financial crisis.

Major markets in Japan, Hong Kong, Australia and South Korea tumbled as already-fragile investor confidence was hammered by more weak US economic data and growing fears that Italy and Spain might need to be bailed out.

"It's going to be a very ugly end to an even uglier week," IG Markets analyst Ben Potter said in Sydney, adding that all sectors were expected to take a battering.

Tokyo dived 3.36 percent by the break, Hong Kong plummeted 4.67 percent, Sydney slumped 4.10 percent by noon, Seoul tumbled 3.62 percent and Taipei shed 5.15 percent. Shanghai slipped 1.80 percent.

Fear swept across Asia from Europe and the United States, where the Dow Jones Industrial Average suffered its worst one-day drop since December 2008 to close 4.3 percent lower at 11,383.68, erasing all this year's gains.

The broader S&P 500 dropped 4.8 percent to end the day at 1,200.07, while the tech-heavy Nasdaq Composite dived 5.1 percent to 2,556.39.

London's benchmark FTSE 100 index fell 3.43 percent, retreating to levels last seen in September 2010, while in Frankfurt the DAX fell 3.40 percent, and France's CAC 40 dropped 3.90 percent.

"We're seeing the erosion and now the loss of confidence, confidence in the economy, confidence in the market, confidence in the policy makers. It's all showing up," said US-based Hugh Johnson, of Hugh Johnson Advisors.

Sharp slowdown in US economy

Weak jobs data out of the United States yesterday fuelled concerns among some analysts that the world could be heading towards another recession following the 2008 financial crisis.

The US Labour Department reported that weekly claims for unemployment benefits remained at a high 400,000 last week.

"There is a deep concern about global growth and of the state of play in the United States in particular," said City Index analyst Giles Watts.

world stock market forex 141008 02"Traders are growing increasingly concerned about a sharp slowdown in US economic activity in the third quarter."

Eyes will be on the United States later today when Washington releases key government jobs data and a weaker-than-expected result could lead to a further sell-off.

In Europe, investor sentiment remained plagued by worries that debt-laden Italy and Spain could be engulfed by the fast-moving eurozone debt crisis.

The European Central Bank announced yesterday that it would resume emergency credit-easing measures, some of which were last enacted at the height of the financial crisis.

But the ECB's efforts still failed to restore confidence. The risk premium investors demand to buy Spanish

10-year bonds over safe-bet German debt shot back up to near a record high on Thursday.

The eurozone debt crisis has put Italy and Spain under huge pressure in recent weeks after Greece, Ireland and Portugal had to be bailed out by the European Union and the International Monetary Fund.

On currency markets the dollar held some of the gains it made against the yen yesterday after Tokyo stepped in to sell the Japanese unit as it edged towards a record high.

Fear of double-dip recession

The greenback was at 78.84 yen, after rising close to 80 yen in the first few hours after Tokyo's intervention.

The euro fell to 111.17 yen from 111.27 yen late in New York yesterday, while it gained to US\$1.4105 from US\$1.4100.

"The fear of a double-dip recession with the slowdown in the US and the sovereign debt situation in Europe is having everybody biting their nails," said Adam Sieminski, chief energy economist of Deutsche Bank.

Gold scored a new record at US\$1,681.72 per ounce on the spot market in New York as investors flocked to the precious metal, regarded as a safe bet in times of economic turmoil. It later retreated to US\$1,647.57.

Gold opened at US\$1,643.00-US\$1,644.00 an ounce in Hong Kong.

Prices for US government bonds, another safe haven, also rose.

The yield on the 10-year Treasury dropped to 2.46 percent from 2.60 percent late Wednesday, while that on the 30-year bond fell to 3.72 percent from 3.87 percent. Bond prices and yields move in opposite directions.

New York's main contract, West Texas Intermediate light, sweet crude for delivery in September, was down 92 cents to US\$85.71 a barrel in morning trade after plunging US\$5.30, or 5.8 percent, in New York yesterday.

It was the lowest closing price for WTI since February.

Brent North Sea crude for September delivery shed 13 cents to US\$107.12 after falling US\$5.98, or 5.3 percent, in London trade.

Among other markets, Wellington slumped 2.4 percent while Manila was 3.10 percent lower.

- AFP