

Tech stumble hits Europe, Asia shares, dollar weakens
Malaysian Insider
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European and Asian shares retreated and the dollar fell against the safe-haven yen today as an overnight drop in US tech stocks and the deepening Ukraine crisis hurt global market sentiment.

Twitter shares tumbled 17.8% to US\$31.85 after the expiration of a six-month lock-up period that had restricted the sale of about 82% of the firm's outstanding stock.

Ukraine is experiencing its deadliest week since a separatist uprising began in its mainly Russian-speaking eastern region, leaving less room for peace efforts.

European shares fell 0.35% and European tech stocks also fell 0.35% towards three-month lows, heading for their first five-day losing streak in seven months.

France's No. 2 listed bank Societe Generale booked a 525 million euro (RM2.38 billion) writedown on the value of its Russian unit Rosbank, blaming heightened uncertainty and a decline in the Russian rouble. Its shares fell 2 percent.

Danish brewer Carlsberg, one of Europe's blue-chips with the highest exposure to Russia, fell 2.2% as it partly blamed currency volatility in Russia for a fall in its first-quarter operating profit.

The dollar, which has lost about 0.5% against the yen so far this week, weakened to 101.40 yen, its lowest since April 14.

In Asia, MSCI's broadest index of Asia-Pacific shares outside Japan fell 0.7% today after touching its lowest point since April 2.

The Nasdaq Composite index fell 1.4% to a one-week low on Tuesday. The S&P 500 fell 0.9% but remains within striking distance of a record high hit a month ago.

Easy monetary policy in the developed world is causing market imbalances, analysts said.

"It looks like we're mirroring the past cycles – addressing over-indebtedness problems with more debt, printing money and pushing up asset prices," said Iain Stewart, investment manager at Newton Investment Management.
"Almost certainly we will see bubbles."

The US currency lost ground against the euro as well as the yen. The common currency was boosted yesterday by upbeat PMI readings in Spain and Italy.

The euro was at US\$1.3925 today, hovering within distance of an eight-week high of US\$1.3952 hit on Tuesday.

The US dollar index, which measures the greenback against six major currencies, stood at 79.13 after falling on Tuesday to 79.06, its lowest in more than six months.

Immediate focus for the dollar was on US Federal Reserve Chair Janet Yellen's congressional testimony later in Wednesday's session.

Yellen is widely expected to maintain a dovish policy stance, doing little to arrest the recent fall of the dollar, which has shown a limited response to positive economic data.

"Fed Chair Yellen is likely to dodge any questions pertaining to the specific timing of interest rate rises, given the furore after her suggestion at a press conference in March that rates might rise about six months after asset purchases end," analysts at Capital Economics wrote in a note to clients.

Expectations that the Federal Reserve will not raise interest rates soon in addition to safe-haven bids have kept US Treasury yields low, hurting the dollar.

The US Treasury 10-year note yielded 2.579%, after the yield touched a three-month trough of 2.57% on Friday.

German Bund futures rose 17 ticks to 144.84, and peripheral debt yields were trading around multi-year or record lows.

In the commodities markets, oil rose after crude stocks decreased, defying expectations for an increase, with geopolitical risks helping put a floor under prices.

US crude was up 0.7% at US\$100.20 a barrel.

Nickel hovered near a 15-month high as worries persisted about supply from major producers Russia and Indonesia, while stainless steel buyers also fuelled the rally.

Safe-haven gold rose to US\$1,312.20 an ounce, approaching three-week highs. – Reuters, May 7, 2014.

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