

**European stocks drop, hit by US contraction**  
**Malaysian Insider**  
**June 25, 2014**

European stock markets fell today, with losses accelerating after the United States reported that the world's biggest economy recorded its biggest contraction in five years.

Investors also cashed out in a bid to reduce their risk amid the unrest in Iraq, sending London's benchmark FTSE 100 index down 1% to 6,718.45 points around in afternoon trade.

Frankfurt's DAX 30 lost 0.98% to 9,840.38 points and the CAC 40 in Paris dropped 1.53% to 4,449.06 compared with Tuesday's closing levels.

Madrid's IBEX 35 index fell 1.92% to 10,892.60 points and Milan's MIB slumped 1.04% to 21,407.56.

The euro stood at US\$1.3634, up from US\$1.3634 late in New York on Tuesday.

"European equities are suffering from a mild correction to risk appetite... after geopolitical tensions in the Middle East temper the desire to own risk," said Spreadex trader David White.

Iraq's premier rejected forming a unity government to confront jihadists whose sweeping offensive in the country was bolstered Wednesday when al-Qaeda's Syrian franchise pledged loyalty to them at a border town.

Nato is to hold key discussions Wednesday on Iraq, where the UN says nearly 1,100 people have been killed as Sunni militants led by the jihadist Islamic State of Iraq and the Levant (Isil) overran swathes of five provinces north and west of Baghdad this month.

Losses on the markets accelerated after the United States reported that first quarter contraction reached 2.9%, much worse than the previous estimate of 1%.

Wall Street opened in the red, with the Dow Jones slipping 0.07% and Nasdaq losing 0.19%.

In Paris trading meanwhile, energy group GDF Suez was in focus after the French government announced that it had sold 3.1% of the group, leaving it with a holding of 33.6% and raising about 1.5 billion euros (RM6.4 billion).

The state is expected to use the money to buy 20% of power-to-energy group Alstom, under a part takeover of Alstom by US group GE.

The price of shares in GDF Suez fell by 2.64% to 20.26 euros. But brokers Aurel BGC, which expressed some doubts about whether the state would use its option to buy shares in Alstom, said GDF Suez was also suffering from a probe by US investigators into its practices on the Texas energy market.

Emirates airline Etihad Airways tied up a deal to rescue debt-laden carrier Alitalia by taking 49% of the Italian company.

The two groups gave no details of the value of the deal or of any conditions, but two key issues are huge debt and overstaffing at Alitalia which has lurched from crisis to crisis for years.

In foreign exchange deals on Wednesday, the British pound firmed to US\$1.6992 from US\$1.6985 on Tuesday.

The euro gained to 80.25 British pence from 80.11 pence.

On the London Bullion Market, the price of gold declined to US\$1,312.00 an ounce from US\$1,318.50 on Tuesday.

Asian stock markets had slipped on Wednesday following the previous day's gains, while investors took their lead from losses Tuesday on Wall Street. – AFP, June 25, 2014.

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Source: <http://www.themalaysianinsider.com/business/article/european-stocks-drop-hit-by-us-contraction>