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As talks stop in Greece, debt worries resurface

LONDON

International auditors leave early, unsettling markets across Europe

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Concerns about the euro zone's ability to cohesively respond to its debt crisis resurfaced Friday after talks between Greece and its foreign creditors were interrupted and the head of the European Central Bank warned Italy to stick to its austerity program.

European stocks were sagging even before a disappointing U.S. jobs report added to concerns about the global economy, dragged lower by those companies most tied to growth like car makers, banks and insurers. The Euro Stoxx 50, a barometer of European blue-chip companies, lost 3.69 percent Friday.

Yields on 10-year Italian bonds rose almost a tenth of a percentage point to 5.25 percent — well above the 5 percent level that is considered to be the top rate desired by policy makers.

The yield on Spain's 10-year securities climbed slightly to almost 5.1 percent, despite passage in the lower house of the Spanish Parliament on Friday of an amendment that will enshrine stricter budgetary discipline in the Constitution.

The E.C.B. on Aug. 8 began the extraordinary step of buying Italian and

Greek officials had not previously suggested that there would be a break in the negotiations.

Spanish debt to help calm markets after 10-year rates had spiked to around the 6 percent level.

David Schnautz, interest rate strategist at Commerzbank in London, said many investors had chosen to use the E.C.B.'s recent bond buying program to offload those bonds, and that was causing yields to drift up now.

"There's still no genuine investor demand for Spanish and Italian government bonds," he said.

Sentiment was hit after the team of European and International Monetary Fund officials pulled out of Athens early as they apparently disagreed over the country's deficit figures and how to make up for a growing budget shortfall.

The mission had been sent to determine whether Greece would meet the conditions for the next tranche of emergency loans, due in September.

The representatives of the European Commission, the European Central Bank and the I.M.F. said in a statement that "good progress" had been made, but that they wanted to allow time for the Greek government to complete technical work on the 2012 budget and reforms.

The delegates, who had been scheduled to leave in the coming week, said they would return to Athens by mid-September, "when we expect the Greek authorities to have completed the technical work, to continue discussions on policies needed to complete the review."

An initial loan package, agreed to last year, has since been supplemented by a second bailout deal that was hammered out in Brussels in July, but which now hangs in the balance amid demands by some euro zone countries for guaran-

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