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GLOBAL MARKET OVERVIEW

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Euro jumps after Greek bail-out agreement

105

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Tuesday 4.30 GMT. Asian stock markets were subdued in spite of eurozone finance ministers agreeing a second bail-out for Greece, but the euro rose against the US dollar on the back of the announcement.

The FTSE Asia Pacific excluding Japan index was 0.3 per cent lower; while the Nikkei 225 was 0.3 per cent lower, the Hang Seng was down 0.5 per cent and the Kospi was 0.8 per cent lower.

However, the euro jumped on the agreement, rising as high as $1.3293 against the dollar and later trading up 0.1 per cent at $1.3262. The dollar fell against most currencies.

"The relatively muted reaction shows that markets are taking [what happens to Greece] in their stride. They've moved on and are focusing elsewhere," said Shane Oliver, head of investment strategy at AMP Capital Investors in Sydney.

Resource plays extended gains following China's cut of banks' reserve requirement ratio on Saturday. Rio Tinto gained 0.5 per cent, Fortescue Metals Group advanced 0.4 per cent and Oz Minerals jumped 1.7 per cent in Sydney. Sumitomo Metal Mining added 0.3 per cent in Tokyo, while Korea Zinc rose 1.6 per cent in Seoul.

OneSteel soared 13.7 per cent in Sydney despite reporting a net loss in the first half as investors anticipated a stronger second half. Downer climbed 5.4 per cent after posting a net profit for the first half.

National Australia Bank, Australia's fourth-largest lender by market value, rose 1 per cent after the Reserve Bank of Australia held rates amid easing European risks. The bank added it has room to ease monetary policy if conditions deteriorate.

Exporters were mixed in Tokyo despite the Japanese yen's recent weakness. Panasonic, the electronics group, lost 0.7 per cent as it plans to re-enter the European mobile-device market with a smartphone in April. Olympus gained 1.1 per cent after the Nikkei business daily said the scandal-hit company plans to promote a veteran executive to president in April. Shipping companies were among the best performers. Nippon Yusen rose 2.1 per cent and Mitsui OSK Lines surged 2.2 per cent and Kawasaki Kisen gained 1.6 per cent after the Nikkei said the company is considering selling around 30 of its ships while Mitsui OSK Lines and Kawasaki Kisen Kaisha are both considering selling 10 or so tankers each.

In Seoul, airlines slumped on higher fuel costs. Korean Air, South Korea's flagship carrier, plunged 6.4 per cent after Deutsche Bank cut its ratings to "sell." Second-ranked Asiana Airlines slid 4 per cent.

Hong Kong's Hang Seng index retreated 0.3 per cent while China's Shanghai Composite index gained 0.2 per cent.

In Shanghai, China's move to boost liquidity and support growth lifted resource stocks and banking shares. China Shenhua Energy added 0.4 per cent and Pingdingshan Tianan Coal Mining jumped 1.2 per cent on higher oil prices. China Merchants Bank rose 1.0 per cent while Bank of China advanced 0.7 per cent.

In Hong Kong, HSBC Holdings rose 0.7 per cent, Industrial & Commercial Bank of China added 0.5 per cent and Bank of China gained 0.9 per cent. But China Petroleum & Chemical Corp, also known as Sinopec, declined 1.4 per cent after Citigroup cut the stock from buy to neutral.

In currency markets, the yen was trading at Y79.70 per dollar, from Y79.64 in New York late Monday. It was at Y105.38 against the euro, from Y105.44.

In commodities markets, spot gold fell $1.10 to $1,733.00 per troy ounce while March Nymex crude oil futures rose $1.42 to $104.66 per barrel on Globex.

Earlier, with markets closed in the US for the Presidents Day holiday, the focus was firmly on Europe and the afternoon meeting of eurozone finance ministers with a positive resolution being increasingly priced in by investors.

"There is plenty of optimism that eurozone finance ministers will finally be able to rubber stamp Greece's second bail-out package at this afternoon's meeting in Brussels," said Jane Foley of Rabobank.

The positive sentiment provided a firm underpinning for European stocks with the FTSE Eurofirst 300 climbing 0.7 per cent to 1,090.95 points and London's FTSE 100 index gaining 0.7 per cent to 5,945.25. In a shortened trading session US equity futures climbed, indicating that the S&P 500 was set to open at its highest level since June 2008, when the cash market starts on Tuesday.

"As always, expressions of optimism before any meeting of European leaders these days should be heavily discounted as the result is almost always a huge disappointment," said Michael Derks of FxPro. "Greece remains a horror show and no amount of hype will change that reality. However, with investors more inclined to take on risk amid positive economic news from most advanced economies, Greece is not spooking risk-takers like it did last year."

The easing of tensions was indicated by a drop in sovereign benchmark bond yields across the eurozone periphery with Portugal's 10-year down 9 basis points to 12.37 per cent and Spain's lower by 9bp to 5.16 per cent, according to Reuters data. Italy's fell 9 basis points to 5.47 per cent.