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GLOBAL MARKET OVERVIEW

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Asia shares fall amid eurozone concerns

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Thursday 03.00 GMT. Asian stocks were lower amid lingering concerns about the implementation of Greece's bail-out package and the region's economic outlook.

Concerns about the European economy resurfaced, after the eurozone's February composite purchasing managers' index showed that the region moved closer to a recession this month as private sector economic activity fell back into contraction territory. Uncertainty over the implementation of Greece's rescue deal also increased after Fitch Ratings cut Greece's credit rating to C from CCC.

"Sub 50 PMI readings for both Europe and China were a reminder to investors that the international growth outlook is at best moderate. The significant rise in oil prices over the past two weeks will not help this outlook if it continues," said Ric Spooner, chief market analyst at CMC Markets.

Japan's Nikkei 225 Stock Average slipped 0.2 per cent, Australia's S&P/ASX 200 lost 0.6 per cent and South Korea's Kospi Composite index declined 1.2 per cent.

In Seoul, airlines extended losses on higher fuel costs, with Korean Air, South Korea's flagship carrier, off 1.3 per cent and second-ranked Asiana Airlines down 1.1 per cent. Daewoo Shipbuilding & Marine Engineering gained 1.3 per cent after the company was named as the preferred bidder for building four tankers for the UK Royal Navy. Samsung Electronics dropped 3.2 per cent on profit-taking after hitting a record high on Wednesday. Diotek, which develops mobile software solutions, tumbled 5.1 per cent and Infraware sank 4.5 per cent after Samsung denied media reports that it seeks to buy stakes in Diotek and Infraware.

The Australian market's losses were capped by a number of positive corporate earnings. David Jones surged 2.3 per cent after reporting a smaller-than-expected fall in second-quarter sales. Insurance Australia Group climbed 7.6 per cent after posting stronger-than-expected interim net profit.

Some Japanese exporters were hit by profit-taking with Kyocera down 1.8 per cent, Nikon off 1.1 per cent and Toyota Motor 0.4 per cent lower. Mazda Motor tumbled 8.2 per cent on dilution concerns as the company said it plans to raise up to Y162.8bn through a stock sale to expand production capacity overseas. But the weaker yen boosted Elpida Memory, which rose 2.6 per cent and Nintendo, which increased 1.6 per cent.

Hong Kong's Hang Seng index shed 0.8 per cent while China's Shanghai Composite index gained 0.2 per cent. Property shares dragged down the Hong Kong market after Shanghai's housing authorities denied media reports that it was easing restrictions on second-home purchases. Agile Property Holdings declined 1.7 per cent, Cheung Kong Holdings dropped 2.6 per cent, and Henderson Land Development lost 2 per cent. Banks also lost ground, following weak eurozone economic data. HSBC Holdings slid 1.7 per cent, China Merchants Bank fell 1.6 per cent and Agricultural Bank of China declined 1.1 per cent.

In Shanghai, losses in brokerages offset gains in metal firms. Zijin Mining gained 1.5 per cent and Chalco rose 0.4 per cent. Brokerages were hit by profit-taking, after Wednesday's rally. China Merchants Securities retreated 0.3 per cent and Everbright Securities lost 0.6 per cent.

In currency markets, the Australian dollar fell against the greenback after Julia Gillard, prime minister, called a leadership ballot to head off a challenge from Kevin Rudd, who resigned as foreign minister on Wednesday.

"Everyone is sick of the ridiculous politics going on. Even the Australian Dollar, losing some ground after Kevin Rudd's announcement, seems sick of the uncertainty it is creating in the domestic market," said Kara Ordway, FX strategist at City Index.

The Australian dollar was at US$1.0608 against the greenback from US$1.0632 in New York late Wednesday. The yen was at Y80.24 per dollar, from Y80.29. It was at Y106.21 against the euro, from Y106.40.

In commodities markets, spot gold lost $1.5 to $1,774.30 per troy ounce while April Nymex crude oil futures retreated 54 cents to $105.74 per barrel on Globex.

Earlier, US and European stocks struggled to make headway as risk trades were blunted by lacklustre economic activity data, which raised fears about the outlook for the global economy.

The FTSE All World index sank for a second consecutive day, falling 0.4 per cent to 216.60, while investors favoured the perceived haven of the US dollar, pushing it to a seven-month high against the yen.

Sterling also came under selling pressure, dropping to a two-month low against the euro, as the Bank of England minutes revealed a more dovish vote over policy than expected, with two policymakers opting for bigger amounts of quantitative easing.

On Wall Street, the day's main US economic data failed to impress investors, with sales of existing homes rising less than expected.

"Is the purported US housing recovery a fairytale after all? A regular review of seasonal adjustments revised away much of the recovery that we were seeing in sales over the past few months," said Teunis Brosens of ING Bank. "Today's somewhat disappointing numbers show that, while things are slowly looking up in the housing market, there is a long way to go."

The S&P 500 Index has hovered right below the crucial 1,360 level, its highest mark since last May. It closed 0.3 per cent down to 1,357.68 in New York, also dragged lower by declines in tech stocks such as computer maker Dell, which slid 5 per cent after a weak sales forecast.

Shares in Hewlett-Packard fell 3 per cent in extended hours after the company reported a quarterly decline in revenue, which was also below analysts estimates.

Analysts noted that volatility in US equity markets – as measured by the CBOE Vix Index – has been trading consistently below historic average levels. The Vix, also known as Wall Street's "fear gauge" closed at 18.26, down more than 60 per cent since it hit a two-year high of 48 last Summer.

While the move doesn't necessarily imply US stocks may be bound for a steep decline in the near -term, it suggests investors may be "too complacent" and therefore more susceptible to losses in the event of a sudden turnround in market direction, according to Ken Polcari, a managing director for Icap at the New York Stock Exchange.

Demand for US Treasuries was still solid at an auction of $35bn in five-year notes. The notes were sold at a yield of 0.9 per cent and the bid-to-cover ratio – a measure of demand – came at 2.89, slightly below than of the previous sale.

Additional reporting by Stephen Smith in London