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GLOBAL MARKET OVERVIEW

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Spain passes bond auction test

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Thursday 10:00 BST. A reasonably well-received auction of Spanish government bonds is helping cement a firm session for a broad range of risk assets.

The FTSE Eurofirst 300 is up 0.6 per cent and S&P 500 futures point to Wall Street opening higher by 0.3 per cent. The FTSE All-World index is adding 0.1 per cent after the Asia-Pacific region dipped 0.1 per cent.

While generally positive, moves across asset classes are fairly cautious. The dollar index is down just 0.1 per cent, leaving gold up 0.1 per cent to $1,642 an ounce. Benchmark Bund yields are flat at 1.72 per cent and Treasuries are up 1bp to 1.99 per cent. Copper is higher by 0.3 per cent to $3.64 a pound.

The eurozone's fiscal woes have been shadowing investors for a few years now. But its impact on markets has fluctuated as investors have tried to discount the effect of every fresh development on global growth and as they have endured bouts of crisis fatigue.

It is fair to say sovereign debt concerns are again front and centre as traders become worried about Spain's budget position in the light of a tough austerity programme and struggling economy. The health of the country's banks is also a concern after data showed bad loans at their highest level since 1994.

Madrid thus faced a test of investor sentiment when it looked to auction two- and 10-year paper on Thursday morning, the outcome of which could have determined the broader market's mood for several sessions.

In the event, although rates paid edged higher compared to a similar sale in January, demand for the €2.5bn of bonds was solid, allowing 10-year yields in the secondary market to remain below 5.9 per cent and for the cost of insuring Spanish debt against default to ease back.

The market immediately seemed to breathe a sigh of relief after the auction details were announced, pushing the euro up to $1.3164, though the single currency has since eased back to trade up 0.1 per cent at $1.3128, in the middle of the $1.30-$1.32 range it has held for two weeks.

Perhaps what traders need is something else to take their minds off the eurozone. There is no shortage of other catalysts.

A busy day of US earnings includes Bank of America, Microsoft and Morgan Stanley. Corporate results for the first quarter have generally beaten expectations, but the share price reactions have been mixed with some investors using the S&P 500's near 20 per cent surge since its November trough as an excuse to pare positions.

Macroeconomic factors are also to the fore, with US weekly initial jobless claims, existing home sales and the Philadelphia Federal Reserve business survey on the cards.

At least traders feel that any disappointment in this regard can be salved by the belief that the Fed stands ready to lend monetary support if economic conditions are seen to deteriorate.

And it is clear that other central banks are equally keen to ease policy as the need arises. Following India's bigger than expected interest rate cut earlier this week, another Bric, Brazil, on Wednesday slashed rates by 75 basis points to 9 per cent, close to an historic low.

Of course, the bearish interpretation of such firm central bank action in the world's growth powerhouses is that it signals the global economy may be struggling more than many realise.

Earlier in Thursday's session, Asia-traded resource stocks found support after China's state-run Xinhua News Agency hinted that Beijing will continue to cut banks' reserve requirements and take other easing measures to ensure a soft landing for the world's second-biggest economy.

Sydney's commodity-rich S&P/ASX 200 rose 0.3 per cent in a mixed day for the region, where the Hang Seng in Hong Kong added 1 per cent but Shanghai lost 0.1 per cent.

Additional reporting by Song Jung-a in Seoul