FINANCIAL TIMES

Last updated: May 9, 2012 5:03 am

European markets hit by Greece uncertainty

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Growing expectations of a repeat election in Greece and a fresh Spanish bank bailout sent markets across Europe spiralling downwards.

Greek stocks tumbled to near 20-year lows, with banking sector shares the worst casualties amid worries that Greece could exit the eurozone.

The failure of two main pro-bailout parties to win support following inconclusive election results sent the Athens General index down 3.6 per cent to 620.54. The last time it closed near this level was in November 1992.

Shares in Alpha Bank plunged 14.3 per cent to €0.72, while **EFG Eurobank** slid 10.2 per cent to €0.46. **Piraeus Bank** fell 9.2 per cent to €0.21.

Meanwhile, in Madrid investors reacted to news that the government is planning to inject up to €10bn into Bankia , Spain's third-largest bank by assets. Shares in Bankia slid 4.8 per cent to €2.26, helping to drag down the wider Ibex 35 index by 0.8 per cent to 7,006.9.

Markets across Europe made similar losses, as fears spread to core European countries.

In Paris, the CAC 40 index slid 2.8 per cent to 3,124.80. French construction group Bouygues was the only company to close in positive territory, rising 0.8 per cent to €21.39.

In Milan, the FTSE MIB fell 2.4 per cent to 13,936.70. Italian banks, which helped lift the index on Monday, pared back their gains after data from the Bank of Italy revealed their borrowings from the European Central Bank had increased from €270.05bn in March to €270.97bn in April.

Monte dei Paschi , Italy's third-biggest bank by assets, fell 4.3 per cent to €0.25, while Banca Popolare di Milano shed 4.3 per cent to €1.02. UniCredit , Italy's largest bank by assets, fell 2.1 per cent to €2.80.

In Frankfurt, Commerzbank fell 3.4 per cent to €1.53, helping to send the Xetra Dax index down 1.9 per cent to 6,444.74.

The Europe-wide FTSE Eurofirst 300 fell 1.7 per cent to 1,017.48.

While this was the lowest level in more than three months, some analysts said that the worst was still to come.

“I wouldn’t worry so much about the Greek market, what’s more worrying is the [wider] European market,” said Lefteris Farmakis, rates strategist at Nomura.

“Investors are being too complacent when it comes to assessing this particular event [in Athens].”