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20

GLOBAL MARKET OVERVIEW

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Global equities extend losing streak

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Friday 10.10 BST. Many assets with high correlations to growth are being shunned as the focus of eurozone woes shifts to the Spanish banking system, with continued Greek political uncertainty and disappointing US economic data adding to the unpleasant mix.

Facebook has chosen a tough time for its shares to start trading as investors globally "unfriend" the market.

The FTSE All-World equity index is down 0.9 per cent, having fallen for all but two of the trading days in May, shedding 9 per cent in the process.

US stock futures have been volatile but point to the S&P 500 losing another 0.1 per cent following the shellacking Wall Street took on Thursday.

Selected commodities are being ostracised – Brent crude is down 0.4 per cent to $107.33 a barrel – and funds are seeking comfort in "safe" products such as the dollar and German Bunds.

Risk appetite has been destroyed since the start of the month with many asset benchmarks tumbling to multi-month lows on fears that the global economy is too fragile to cope with a sentiment-sapping implosion of the euro monetary union and subsequent financial system ructions.

And the sellers aren't done yet.

Concerns about Europe have increased after Moody's downgraded 16 Spanish banks and as Greece faces elections in June, which could lead to the country's eventual exit from the euro. Fears of capital flight from Greece were heightened by depositors taking large sums out of Greek banks.

Financial stocks are thus in the doghouse. The Bloomberg Global Banks index is retreating 1.1 per cent and has lost 11 per cent in May.

Equities generally are taking it on the chin. The FTSE Eurofirst 300 is shedding 1 per cent in Friday's session and is now down for the year. Spain's Ibex 35 index is off another 0.7 per cent to flirt with nine-year lows.

The FTSE Asia Pacific index has been clobbered 2.5 per cent, with Tokyo's Nikkei 225 slumping 3 per cent as a stronger yen hurt exporters.

European bourses are off the day's worst levels, however, after initial weakness in the eurozone's "Mediterranean" bonds was reversed. Inevitably, traders pointed to the European Central Bank having entered the market.

Whether true or not, the couple of basis-point pull back in Spanish and Italian benchmark yields has reduced anxiety a little – though yields of 6.3 per cent in Spain show tensions remain elevated

The euro, which fell to $1.2643 – its weakest since mid-January – is now barely changed at $1.2689.

Still, currency units with tight links to investor optimism continue to lose ground. The Australian dollar, for example, is lower by 0.4 per cent to $0.9846.

The corollary of all this recent funk has been a move by investors into products they consider relatively safe. The dollar index is up 0.1 per cent and near a four-month peak, while gold's supposed haven status has suddenly returned. The bullion fell below $1,530 an ounce at one point on Wednesday but has surged back to $1,585.

German 10-year Bunds are in demand, at one point pushing yields below 1.40 per cent for the first time. US Treasuries are actually a bit softer, but that is only because yields were pushed to a near-record low of 1.69 per cent late on Thursday and are now up 5bp to 1.74 per cent. Japanese 10-years have traded below 0.83 per cent for the first time in nearly nine years.

And yet amid all this risk asset aversion there is a group of investors whose only interest is what happens later in the day on Wall Street when one of the most eagerly anticipated IPO's finally gets away.

Facebook priced its shares at $38 each on Thursday, raising $16bn and valuing the world's largest social networking group at $104bn. The eight-year-old company now ranks alongside the top 25 public companies in the US.

Its stock will begin trading on Friday. Bulls may be hoping that a strong showing for Facebook may snap the market out of its black mood. But a stumble may only cap a rotten end to a miserable week.