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GLOBAL MARKET OVERVIEW

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Markets calmer but eurozone stress persists

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Tuesday 08.00 BST. Markets are calmer following a sour start to the week, but any risk asset buying is tentative at best as worries about the eurozone debt crisis and its impact on the global economy continue to lurk.

Trading is somewhat muddled. The FTSE All-World equity index is up 0.1 per cent, but a 0.4 per cent loss for copper to $3.30 a pound points to a still-struggling commodity sector. Meanwhile, fractional falls for the dollar and Treasury prices speaks to an easing of broader market tensions. Gold is barely changed at $1,583 an ounce.

The FTSE-Asia Pacific index is flat and the FTSE Eurofirst 300 is managing a gain of 0.2 per cent, helped by US stocks closing well off their lows in the previous session.

The S&P 500 still lost 1.6 per cent, however. Stock futures suggest the index will open 2 points firmer on Tuesday, at about 1,316, Traders are wary of the S&P 500 falling below its 200-day moving average, currently 1,296, a level which if breached could presage further declines, it is feared.

Perhaps investors should not have been surprised by Wall Street's retreat on the first day of the week. The Dow Jones Industrial Average, New York's blue chip benchmark, has declined for eight of the last nine Mondays, a function, some analysts believe, of regular post-weekend eurozone policy disappointment.

And it is the eurozone debt crisis that continues to dominate investors' thinking on Tuesday.

Consensus seems to have been reached that the EU summit taking place at the end of the week will not deliver a "silver bullet" to tackle, if not the bloc's difficulties, then at least the market's fears about the bloc's difficulties – though some hardy bulls will argue that such pessimism leaves the market vulnerable to a pleasant surprise.

Investors also are having to absorb news that Moody's has cut the long-term debt ratings of 28 Spanish banks following the "weakening of the Spanish government's creditworthiness".

In addition, it has been confirmed that Cyprus is seeking a bailout, not a surprise, but this means that five EU countries have now required such aid, a reminder of the breadth of the region's fiscal problems.

The euro is up 0.1 per cent at $1.2508 after a survey of German consumer morale unexpectedly showed improvement. However, the single currency's fate during the session may depend on the outcome of sovereign debt sales by Italy and Spain, the two nations whose fiscal condition is of most concern to the market right now.

Rome is due to sell inflation-linked securities maturing in September 2016 and September 2026, along with as much as €3bn of short-term zero-coupon notes. Spain is expected to offer three- and six-month bills.

The yields on Italian and Spanish benchmark bonds in the secondary market are up 6 basis points to 6.07 per cent and 5bp to 6.69 per cent, respectively.

The US also will crank up a busy week of debt auctions. The Treasury is on track to sell $99bn of IOU's in the next few days, starting with $35bn of 2-year notes on Tuesday.

The 10-year bond is yielding 1.62 per cent, up 1 basis point, but only 20 or so basis points off record lows.

Not even a better-than-expected report on US new home sales for May could discourage the move into such perceived "havens" on Monday. Another piece of housing data, the S&P Case-Shiller home price index for April, is set for release at 1400 BST.

Earlier, in Asia, oil producers were under pressure as benchmark US crude futures remained below the $80 a barrel mark – currently off 12 cents to $79.09. Miners struggled following recent sharp falls in commodity prices. The resource-rich Australian market shed 0.4 per cent.

In China, carmakers lost ground after a government official said Beijing had no imminent plans to introduce more stimulus measures to drive vehicle demand. The Shanghai Composite is down 0.1 per cent, but Hong Kong's Hang Seng is up 0.1 per cent. Tokyo's Nikkei 225 was one of the region's underperformers, retreating 0.8 per cent, as political wrangling continued over a proposed sales tax.

Additional reporting by Song Jung-a in Seoul and Vivianne Rodrigues in New York

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