ft.com/frontpage UK All times are London time

FINANCIAL TIMES

GLOBAL MARKET OVERVIEW

Last updated: June 18, 2012 8:12 am

Global equities rise after Greek vote

68

By Jamie Chisholm, Global Markets Commentator

Monday 08:00 BST. Stocks, commodities and the euro are rising as investors take heart from the pro-bailout party's win in the Greek election, a result seen reducing the chances of a eurozone break-up.

The FTSE All-World equity index is up 0.7 per cent after the Asia-Pacific region bounced 1.4 cent and as the FTSE Eurofirst 300 opens the week with a pop of 1 per cent.

Financial shares in particular are exhibiting investors' relief and the euro is trading near a one-month high at $1.2690, compared with Friday's close of $1.2636.

S&P 500 futures point to Wall Street adding 0.5 per cent later in the day, in a market where burgeoning risk appetite is displaying traditional characteristics.

Resources with tight correlations to global market optimism are in demand, pushing the price of Brent crude up 1.1 per cent to $98.67 and copper higher by 0.9 per cent to $3.41 a pound.

Conversely, so-called haven assets are in retreat as traders see less need to park funds in bolt holes.

The prices of highly-rated sovereign debt are falling, pushing benchmark Treasury yields up 4 basis points to 1.62 per cent and those of Bunds higher by 7bp to 1.50 per cent. The dollar index is down 0.2 per cent and gold is losing $9 to $1,619 an ounce.

Overall, then, markets are more positive. But gains are solid rather than exuberant as traders recognise the difficulties Athens faces to establish a workable coalition that may wish to renegotiate the terms of the country's aid deal.

Already, the German foreign minister has said that the substance of the Greek reform programme is non-negotiable, according to Reuters.

BNP Paribas cautioned that although the near-term prospect of a Greek exit from the monetary union had diminished, "uncertainty is likely to remain high once the new government is sworn in".

"We dodged a bullet, for now, if these results hold up," said John Silvia, chief economist at Wells Fargo, but "Greece is still miles away from being fixed".

Dealers also know that the problems for Greece are only part of the difficulties facing the fiscally -strapped region.

Michala Marcussen, of Société Générale, said: "While Greek euro exit fears have thus eased, this outcome does little to alleviate the weak fundamentals that currently weigh on Spain and Italy."

Eurozone debt markets are displaying an easing of stress as Spain's and Italy's 10-year yields fall 5 basis points to 6.83 per cent and 5bp to 5.87 per cent respectively. But such premiums over Bunds are elevated and deemed unsustainable in the long term.

Meanwhile, alongside the eurozone debt crisis are lingering concerns about the health of the global economy following recent evidence showing waning growth in China and the US.

With this in mind, traders will be keeping an eye on the G20 summit starting in Mexico on Monday, eager for any pro-growth policies that may emerge. Analysts are not optimistic that the gathering will provide anything tangible for the bulls to chew on, however.

Many in the market are more hopeful that they might get some action from the US Federal Reserve when it concludes its two-day Federal Open Market Committee meeting midweek.

"We believe labour markets, economic activity and financial market conditions have weakened enough to lead the FOMC to extend Operation Twist at its meeting on Wednesday," said analysts at Barclays.

Additional reporting by Robert Cookson in Hong Kong and Song Jung-a in Seoul