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GLOBAL MARKET OVERVIEW

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Stocks dip as eurozone fears persist

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By Jamie Chisholm, Global Markets Commentator.

Thursday 08:00 BST. Persisting concerns about Europe's debt crisis and waning global growth are delivering another slightly sour session, though one lacking strategic clarity.

Jumbled and cautious trading dominates as investors seem reluctant to make bold bets, with uncertainty over this weekend's Greek election likely to be the prime cause of market reticence.

The FTSE All-World index is down 0.2 per cent as the FTSE Eurofirst loses 0.3 per cent at the open, though US futures point to the S&P 500 adding 0.3 per cent later in the day.

The euro, which often tracks improving broader market sentiment, is up 0.1 per cent to $1.2571, yet Bund yields, which are normally correlated to building risk appetite, are dipping 1 basis point to 1.48 per cent.

The dollar index is little changed, while gold adds $1 to $1,617 an ounce and copper advances just 0.1 per cent to $3.34 a pound.

Alongside the uncertainty of the Greek plebiscite – which some fear could result in Athens leaving the eurozone, potentially precipitating political and financial system turmoil – investors are having to digest a number of other generally negative catalysts.

Late Wednesday, Moody's Investors Service downgraded Spain's sovereign-debt rating to one notch above junk and put the country on review for a possible further downgrade.

The move came after Spain said last weekend that it will borrow up to €100bn to support its banking sector – a deal that has heightened concerns about Madrid's fiscal position.

Another Mediterranean country whose finances are in the spotlight is Italy. Rome is due to hold a bond auction on Thursday – a sale of up to €4.5bn of mainly 3-year notes – amid growing speculation it may become the next victim in the eurozone crisis.

Tension remains high; Italian 10-year yields are up 8 basis points to 6.30 per cent, a fresh 4-month peak, and Spanish equivalents are up 11bp to a new euro-era high of 6.86 per cent.

Sentiment has also taken a knock from Wednesday's lower finish on Wall Street, following weaker US retail sales data, which suggested consumers in the world's biggest economy are somewhat cowed.

Such soft macroeconomic news is helping to keep pressure on US bond yields. On Wednesday the Treasury sold $21bn in 10-year notes which attracted solid demand, with the securities drawing a record low auction yield of 1.62 per cent.

Another $13bn of 30-year paper will be on the block later on Thursday, and meanwhile in the secondary market the 10-year benchmark is yielding 1.6 per cent, less than 20 basis points above record lows.

Fixed income traders doubtless have one eye on next week's Federal Reserve monetary policy decision, with every sour piece of economic news only feeding the market's anticipation of more central bank largesse.

Also, the Bank of Japan will conclude its latest policy meeting on Friday. The BoJ will be hoping to ensure any action does not give additional succour to yen bulls, with the Japanese unit's recent strength continuing to hinder the country's exporters.

The Nikkei 225 in Tokyo lost 0.2 per cent in a mainly downbeat regional display. The FTSE Asia -Pacific index shed 0.4 per cent as tech and energy stocks struggled.

The Shanghai Composite index lost 0.8 per cent, as did the Hang Seng in Hong Kong, where trading volumes dropped to levels not seen since the height of the financial crisis in 2008, according to Reuters.

Additional reporting by Song Jung-a in Seoul