THE WALL STREET JOURNAL.

Choppy Seas in Overseas Markets

Europe Drops on Worry It Won't Get Rate Cut; Lagging, Asia Jumps

A WSJ NEWS ROUNDUP
January 24, 2008; Page C2

Foreign markets may not be out of the woods yet.

European markets swooned amid worries that the region's central banks wouldn't follow the Federal Reserve's lead. A weak start on Wall Street also hurt.

While Asian stock markets, getting their first look at the U.S. interest-rate cuts, leapt, large institutional investors still fretted that consumers would cut back on purchases of goods from the region.

The Fed's move might loosen credit when it comes to banks lending to blue-chip companies, said Henry Seggerman, president of International Investment Advisers, a money manager specializing in Korean stocks. "But consumer spending, the stuff that drives demand for Asian imports, is a different story," he said.

In Europe, any gains made Tuesday were more than wiped out by yesterday's losses. Germany's DAX Index skidded 4.9%, its seventh straight loss, and the pan-European Dow Jones Stoxx 600 Index dropped 3% to 306.03, a 19-month low and leaving it down 16.1% this year.

Comments from the European Central Bank and Bank of England left investors with the impression that the central banks didn't intend to quickly follow the U.S. Federal Reserve with aggressive rate cuts.

"Europe was looking in its own backyard more [yesterday] as it reacted to the fact that its central bankers are unlikely to be following the Feds example any time soon," said Colin McLean, managing director at SVM Asset Management in Edinburgh.

Having spent months focused closely on the U.S. and its economy, Europeans were forced to look closer to home. Yesterday, ECB President Jean-Claude Trichet gave no sign that the bank is preparing to cut interest rates in the 15-country euro zone, even as fresh data showed the bloc's economy was growing at is slowest pace in more than 2½ years.

Speaking to the European Parliament in Brussels, Mr. Trichet acknowledged risks of slowing growth but indicated the central bank wasn't ready to shift from its anti-inflation stance.

The Bank of England is expected to cut rates at its February meeting, but in a speech delivered after markets closed on Tuesday, a focus by its governor, Mervyn King, on the country's inflation stymied hopes of more-aggressive cuts.

In LONDON, the U.K.'s FTSE 100 index lost 2.3% to 5609.30, bringing losses for the year to 19.1%. Oil giant BP shed 4.4%.

In PARIS, the CAC-40 Index lost 4.2% to 4636.76, its lowest close since June 14, 2006. Société Générale dropped 4.2% on continued worries it is facing a large write-down related to subprime-related investments.

In ZURICH, the Swiss Market Indexfell 1.8% to 7356.13. Cie. Financière Richemont, the Geneva-based luxury watchmaker and jeweler, declining 6.7% after reporting a slowdown in sales in the U.S.

In HONG KONG, the Hang Seng Index was Asia's biggest winner. It surged 10.7% to 24090.17 and more than recouping all its losses from Tuesday's 8.7% selloff. Banks and property stocks rose as the Hong Kong Monetary Authority matched the U.S. move. HSBC, which also trades heavily in London, soared 11%. Among blue-chip developers, Wharf soared 16%.

In TOKYO, the Nikkei Stock Average of 225 companies rose 2% to 12829.06 on relief that the Fed is trying to stave off a recession.

Toyota Motor climbed 4.5%, while Nintendo jumped 8.1% and Honda Motor gained 3.3%

RELATED ARTICLES AND BLOGS

Related Articles from the Online Journal

- Fed, ECB Moves Have Worked, But Worries Remain
- Asian Central Banks Assess Fallout
- Japan's Fukui Leaves Door Open for Rate Cut
- Chatter Among Elite Is How Deeply, Not If, Recession Will Strike

Blog Posts About This Topic

- Midday Report: Fed cuts rates 75 basis points in emergency move sinoam.blogspot.com
- Penny Stocks to Watch by Stock Analyzer pennystocksblog.net

More related content *Powered by Sphere*

EMAIL THIS FORMAT FOR PRINTING MOST POPULAR OR

DIGG THIS GET RSS FEEDS