

World markets mixed after downbeat US news

PAN PYLAS, AP Business Writer

LONDON (AP) — World stocks were only modestly changed Wednesday as recent enthusiasm was offset by disappointing U.S. economic data, including an unexpected fall in consumer prices and a continued slump in industrial production.

The Labor Department said consumer prices edged down 0.1 percent in March from the previous month as a drop in energy prices offset the biggest rise in tobacco prices since 1998. The fall was unexpected, as the markets were pricing in a 0.1 percentage point increase.

The monthly decline finally pushed the annual rate into negative territory, though that was mainly due to the sharp spike in energy prices last year. Consumer prices fell 0.4 percent in the year to March, the first 12-month decline since a similar drop for the year ending in August 1955.

Meanwhile, the U.S. Federal Reserve said industrial production in the U.S. fell by a monthly 1.5 percent in March, leaving it 12.8 percent lower on a year ago.

"The recession shows few signs of even abating, let alone giving way to a recovery," said Paul Ashworth, senior U.S. economist at Capital Economics.

Following the data, the FTSE 100 index of leading British shares was down 32.14 points, or 0.8 percent, at 3,956.85, while Germany's DAX fell 21.26 points, or 0.5 percent, to 4,535.75. The CAC-40 in France was 29.06 points, or 1 percent, lower at 2,971.16.

In the U.S. the Dow Jones industrial average was up 24.13 points, or 0.3 percent, at 7,944.31 while the broader Standard & Poor's 500 index rose 1.33 point, or 0.2 percent, to 842.83.

Stocks around the world were already in retreat before the inflation data after Intel Corp., the world's biggest chipmaker, failed to provide an earnings forecast in an after-hours trading update Tuesday, even though it posted stronger than anticipated first quarter profit.

Intel said net profit in the three months to March 28 fell 11 percent from the previous year to \$647 million. Though that exceeded market forecasts, the company's failure to provide a guidance weighed on sentiment around the world, specially after disappointing U.S. retail sales figures.

Earlier in Asia, Japan's benchmark Nikkei 225 stock average lost 99.72 points, or 1.1 percent, to 8,742.96 and South Korea's Kospi fell 9.54, or 0.7 percent, to 1,333.09. Stock averages in Australia and Taiwan also fell.

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Published on Industrial Maintenance & Plant Operation (<http://www.impomag.com>)

Benchmarks in China, Hong Kong and Singapore managed to climb into positive territory. Hong Kong's Hang Seng closed up 89.46 points, or 0.6 percent, at 15,669.62. India's Sensex shot up 2.3 percent to 11,214.62.

Hopes that an improvement in the global economy may emerge soon have enticed some investors back into stock markets in recent weeks. The rise in risk appetite has gained momentum over the last month or so as global equities have rallied from multiyear lows to post their biggest gains in such a short space of time since 1933.

Stock markets usually start rallying around six to nine months before an actual economic recovery begins, experts note. The rise in stocks has therefore boosted hopes that the worst of the global recession could be over by the end of the year.

However, most investors are fully aware that the world economy is not in the clear yet and that stock market losses may return soon.

"Markets still debate whether we should be worried that things are still getting so much worse or relieved that, on some measures, they are getting worse at a slower rate than before," said Daragh Maher, an analyst at Calyon Credit Agricole.

President Barack Obama walked that tightrope in a major economic speech Tuesday. Though there were signs his economic policies were beginning to bear fruit, Obama warned that the United States still faced a long struggle in finding its way out of the economic and financial tumult battering the country.

Much of Obama's economic strategy since entering the White House in January has centered on getting the U.S. banks back into shape.

Worries about the banking system remain even though Goldman Sachs Group Inc. reported earlier this week a better-than-expected profit of \$1.66 billion for the first quarter and said it was looking to raise \$5 billion via a rights issue to help pay back the \$10 billion it took from the U.S. government last autumn in the Troubled Asset Relief Program (TARP).

Goldman Sachs appears to have set the bar high for the other big U.S. banks due to report earnings in the coming couple of weeks, including JPMorgan Chase & Co. and Citigroup Inc.

Oil prices continued to hover around \$50 a barrel. By early afternoon London time, benchmark crude for May delivery was up 25 cents \$49.66 a barrel in electronic trading on the New York Mercantile Exchange. The contract on Tuesday fell 64 cents to settle at \$49.41.

In currencies, the dollar rose to 99.45 yen from 98.98 yen before recovering to 99.12, while the euro fell to \$1.3181 around \$1.3250.

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