

Bernake Disappoints Markets With No Stimulus Hint

Carlo Piovano, AP Business Writer

LONDON (AP) — Global markets turned lower on Tuesday after Federal Reserve Chairman Ben Bernanke gave a gloomy assessment of the economy but offered no hint that the central bank might offer new monetary stimulus.

In his semiannual report before Congress, Bernanke said the U.S. economy has weakened and repeated that the Fed, as usual, is ready to take action to bolster growth if needed. However, he provided no clues about what steps the Fed could take or whether any action was coming soon.

The comments disappointed investors, who were hoping Bernanke would sound more aggressive about helping the U.S. economy, which is struggling to create jobs.

"Bernanke ... offered no hint that the FOMC was close to launching a third round of large-scale asset purchases," said Paul Ashworth, analyst at Capital Economics.

Such purchases would boost the amount of money in the U.S. economy, fueling the flow of credit, which should increase economic activity.

In Europe, Germany's DAX was up slightly, 0.18 percent at 6,577 and France's CAC-40 was barely changed on the day, off 0.09 percent to 3,176. London's FTSE 100 lost 0.59 percent to 5,629. The euro was down 0.11 percent at \$1.2253.

Wall Street opened higher with the Dow industrial average and the S&P 500 both up 0.5 percent, at 12,792 and 1,360, respectively.

Among the few stocks to rise were Goldman Sachs and Coca-Cola Co., which posted upbeat second-quarter earnings.

Confidence in the world economy has been shaken in recent weeks as the three largest economies — the U.S., China and the 17-country eurozone — have shown increasing signs of weakness.

In China, the world's second-largest economy, investors likewise hope monetary authorities will provide relief after second-quarter annual growth fell to a three-year low of 7.6 percent.

Expectations of a further stimulus in China have risen after Premier Wen Jiabao's weekend promise of tax breaks and other aid to struggling small businesses.

In Europe, the outlook remains gloomy as the region's financial crisis keeps businesses and households worried about investments and jobs.

Bernake Disappoints Markets With No Stimulus Hint

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

Germany's ZEW institute said Tuesday that its index of investor confidence unexpectedly fell in July for the third month in a row, to minus 19.6 points from minus 16.9 in June. The consensus in the markets was for a small increase to minus 15.0.

Germany, Europe's largest economy, is increasingly being affected by the financial turmoil shaking other countries in the currency union.

Market confidence was helped somewhat by a well-received Spanish debt auction. The government saw good demand for its 12- and 18-month bills and paid lower interest rates than at the last such auction in July.

Investors continue to await more details of a eurozone bailout for Spain's banks. This week, the eurozone is expected to give Spain €30 billion as part of a package that could be as large as €100 billion.

Earlier in Asia, indexes had closed lower on hopes Bernanke would signal more stimulus.

Japan's Nikkei 225 closed 0.4 percent higher at 8,755.00 and China's Shanghai Composite Index gained 0.6 percent to 2,161.19. South Korea's Kospi added 0.2 percent to 1,821.96 and Hong Kong's Hang Seng jumped 1.8 percent to 19,455.33.

Oil prices were steady, with benchmark crude up 7 cents at \$88.50 a barrel in electronic trading on the New York Mercantile Exchange.

—

Joe McDonald in Beijing contributed to this report.

Source URL (retrieved on 09/22/2014 - 7:43am):

<http://www.impomag.com/news/2012/07/bernake-disappoints-markets-no-stimulus-hint>