Investors Cautious Ahead Of ECB Meeting

Carlo Piovano, Associated Press

LONDON (AP) — Global markets fluctuated Wednesday as investors weighed poor economic data against expectations that the European Central Bank will announce a plan to support financially weak countries in the 17-member eurozone.

ECB President Mario Draghi is expected to reveal on Thursday the details of a new bond-buying program intended to bring down the high borrowing costs of Spain and Italy. The move would go a long way to stabilize Europe's financial crisis — in fact, expectations of the move have buoyed markets for weeks.

The plan is reportedly expected to pledge an unlimited amount of bond purchases while offering no explicit target for where bond yields should be.

But analysts warn the plan faces challenges. To be eligible for the central bank's help, for example, countries would likely have to accept conditions on their budget policies, which many governments would be reluctant to do.

"Expectations for Thursday's ECB meeting are high, perhaps too high," said Marie Diron, senior economic advisor at Ernst & Young.

Britain's FTSE 100 closed down 0.3 percent at 5,657.86 while Germany's DAX was up 0.5 percent at 6,964.69. France's CAC-40 rose 0.2 percent to 3,405.79.

Asian indexes closed lower and Wall Street edged tentatively higher — the Dow was up 0.3 percent at 13,072.72 while the S&P 500 was up 0.1 percent at 1,406.49.

Poor economic indicators have been weighing on those regions' markets over the past days — U.S. manufacturing figures came in lower than expected this week, just days after China announced its own production slowdown.

FedEx, which many investors see as a bellwether for the global economy, warned late Tuesday that its earnings would take a hit because of weakness in its express delivery business.

Investors will look ahead to Friday's U.S. payrolls data for signs of life in the world's largest economy.

Continued signs of weakness in the U.S. economy may help persuade the Federal Reserve to announce new action after its meeting next week.

"If we don't see any good, positive catalyst, investors will be very reluctant to buy stocks at this point. We are waiting for the ECB, U.S. jobs data and other major U.S. economic data," said Jackson Wong, vice president at Tanrich Securities in Hong Kong.

Other analysts cautioned that central bank actions may be too little to protect markets from volatility through the end of the year.

"Whether upcoming ECB and Fed actions will be sufficient to prevent an escalation in risk aversion is debatable especially as markets have already priced in a lot of potential action," analysts at Credit Agricole CIB in Hong Kong said in a market commentary.

Earlier, in Asia, Japan's Nikkei 225 index fell 1.1 percent to close at 8,679.82. Hong Kong's Hang Seng lost 1.5 percent to 19,145.07 and South Korea's Kospi dropped 1.7 percent at 1,874.03. Australia's S&P/ASX 200 shed 0.6 percent to 4,278.80.

In commodities markets, the benchmark oil contract for October delivery was up 1 cent to $95.31 a barrel in electronic trading on the New York Mercantile Exchange. The contract fell $1.17 to finish at $95.30 per barrel on the Nymex on Tuesday.

In currencies, the euro rose to $1.2604 from $1.2571 late Tuesday in New York. The dollar dipped to 78.34 yen from 78.45 yen.

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