



Global stocks weakened as investors focused on the EU summit and ongoing Greek debt deliberations

Performance of major US stock markets

Index	1-day performance	Index close
Standard and Poor's 500	-0.25%	1,313
Dow Jones Industrial Av.	-0.05%	12,654
NASDAQ Composite	-0.16%	2,812

Source: Bloomberg

Shares in the US followed their counterparts in Europe and Asia downward ahead of the European Union summit and as Greece and Germany sparred over budget measures for Athens. But as the day wore on, American investors pared their losses. The Dow Jones Industrial Average, S&P 500 and Nasdaq indices closed down 0.05%, 0.3% and 0.2% respectively.

There was growing optimism among traders that US markets can decouple from Europe's troubles. Issues in Europe had taken a back seat to the focus on US corporate earnings in recent weeks, as by the end of last week a majority of American companies had topped analyst consensus expectations - though by a lower rate than in previous quarters.

Market sectors most affected by developments in Europe yesterday included the financial sector which was down on the day; while materials, technology and telecoms stocks led the turnaround after the close of European markets.

In economic news, US December consumer spending was flat as households added to savings after the largest rise in income in nine months. Although the data pointed to a slow start for spending in 2012, economists were cautiously optimistic that an improving labour market will support demand.

Performance of major European stock markets

Index	1-day performance	Index close
Stoxx 600 Index	-1.13%	253
FTSE 100	-1.09%	5,671
DAX	-1.04%	6,444
CAC 40	-1.60%	3,266

Source: Bloomberg

European investors continued to be concerned about the region's debt crisis as fresh tensions arose between Greece and Germany over the weekend regarding the debt bail-out terms. The FTSE, DAX and CAC lost 1.1%, 1.0% and 1.6% respectively.

Negotiations between the Greek government and private bondholders over the restructuring of €200 billion of debt progressed over the weekend, however a final agreement was not reached before the start of the EU summit. EU leaders also did reach agreement at the summit on a permanent eurozone bailout mechanism to come into effect in July.

In other economic news, eurozone economic confidence improved in January - the first increase in sentiment since March 2011. In contrast, Spain reported its first contraction in economic activity since the fourth quarter of 2009, with Q4 GDP down 0.3%.

In corporate news, French banks including BNP Paribas and Société Générale tumbled as President Nicolas Sarkozy said he will impose a financial transaction tax. The proposed 0.1% French transaction tax will apply to share purchases, including high frequency trading and CDS transactions from August. Sarkozy said he expects revenue of €1 billion from the tax. Royal Philips Electronics dropped after reporting a larger than estimated loss. Hochtief slid after saying it would post a greater annual loss than previously anticipated. Ryanair reported a profit for the third quarter, mainly reflecting a 17% increase in average fares. Swiss engineering group ABB agreed to buy US electrical components maker Thomas & Betts for US\$3.9 billion in cash.

Performance of major Asia Pacific stock markets

Country	Index	1-day performance	Index close
Asia	MSCI AC Asia Pac ex Japan	+0.03%	428
Japan	Nikkei 225	-0.54%	8,793
HongKong	Hang Seng	-1.66%	20,160
China	Shanghai SE	-1.47%	2,285
Taiwan	Taiwan TAIEX	+2.40%	7,407
Korea	KOSPI	-1.24%	1,941
Australia	S&P/ASX200	-0.09%	4,269
India	SENSEX 30	-2.15%	16,863
Singapore	Straits Times	-0.96%	2,888
Malaysia	Kuala Lumpur Comp	-0.48%	1,514
Thailand	Stock Exchange Index	-0.15%	1,075
Indonesia	Jakarta Comp	-1.79%	3,915
Philippines	Philippine SE	-0.76%	4,644

Source: Bloomberg

Most Asian markets declined as investors expressed caution ahead of developments in Europe, coupled with a drop in Chinese stocks as investors continued to wait for policy easing from Beijing.

The Shanghai Composite lost 1.5%, while the Hang Seng ended 1.7% lower after Beijing failed to meet expectations for a cut in banks' reserve requirements over the Lunar New Year holidays. Korea's Kospi Index ended 1.2% lower, while India's Sensex tumbled 2.2%. Taiwan was the only major market to rise in the region, with the Taiex up 2.4%.

Japan's Nikkei Index declined 0.5%, as shares were weakened by a stronger yen and earnings downgrades. Shares in Mitsubishi Electric plunged after Japan barred the company from bidding for government contracts. Tohoku Electric Power dropped after the company said its loss will widen sevenfold for the year ending March 31st. Canon and Sony were also down as the yen climbed for a third day against the euro.

Bond markets

10-year gov't bond futures

	Closing yield	Change
US	+1.84%	-0.05%
UK	+1.99%	-0.08%
Germany	+1.79%	-0.07%
Japan	+0.96%	-0.01%
Australia	+3.74%	-0.01%

Source: Bloomberg

The yield on US Treasury 30 year bond was down 6 basis points to 3% while the yield on the 10 year note slipped 4 basis points to 1.85%.

Commodities and currencies

Commodity

	Close	Change
Crude oil 1-month futures	\$99.56	-0.14%
Spot Gold	\$1,730.07	-0.52%
Thompson-Reuters/Jeffries Commodity Index	317.56	-1.15%

Source: Bloomberg

Gold at the afternoon London fixing was up US\$3.00 to US\$1,729. Copper futures were down 1.5% to US\$3.83. WTI spot crude was down 78 US cents to US\$98.78. Dated Brent spot crude was down 33 US cents to US\$110.40.

Currency

	Close	Change
Japanese yen	76.35	+0.46%
Australian \$	1.0599	-0.55%
Euro	1.3144	-0.57%
British pound	1.5710	-0.12%
Canadian dollar	0.9985	-0.03%

Source: Bloomberg