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## Stocks Down Globally on US Rate Concerns and Greece

**Stock indices were down globally — concerns about US interest rates and elevated worries about Greece's ability to pay its debts combined to make investors very risk averse.**

### Performance of major US stock market indices

Index	1-day Performance	Index close
Standard and Poor's 500	-1.70%	2,044
Dow Jones Industrial Average	-1.85%	17,663
NASDAQ Composite	-1.67%	4,860

Source: Bloomberg

### US markets

United States markets were sharply lower on Tuesday, as fears of possible interest rate increases by the Federal Reserve sent financial markets lower worldwide. In Europe, renewed concerns that Greece may run out of money also worried investors. The euro sank to a 12-year low against the dollar. The Dow Jones industrials dropped 1.8% while both the S&P and Nasdaq lost 1.7%. Traders described the decline as orderly.

Debate has centered on when the Federal Reserve will change its language and eliminate the word 'patient' from its statement — which many economists say could occur in March 18's announcement. Traders think that it is more likely that the Federal Reserve will raise interest rates in June given the strong February employment report. Ultralow interest rates and other monetary stimulus have been a boon for stock markets for several years as investors sought higher returns. But a return to more normal levels for interest rates might spell an end to the bull market for stocks.

Currencies (and stocks) were hit by fears over the financial future of Greece. A meeting of Eurozone finance ministers in Brussels Monday failed to yield much of a breakthrough on the country's reform plans, which have to be agreed to by creditors for Greece to get the vital bailout cash. The divergence between Fed policy and that of the European Central Bank and Bank of Japan has weakened the euro and yen, creating a headache for US multinationals.

Barnes & Noble dropped after reporting fiscal third quarter profit that fell short of expectations. Revenue also was down because of weakness in its retail and Nook segments. American Airlines Group was down after the airline said passenger traffic declined in February. United Continental Holdings also declined as its capacity fell slightly in February from the year-ago period while passenger traffic was unchanged. Urban Outfitters was up after the retailer reported quarterly earnings that beat expectations.

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Gold at the afternoon London fixing dropped US\$6.50 to US\$1,162.00. Copper futures were down 1.8% to US\$2.62. WTI spot crude was down US\$1.33 to US\$48.67. Dated Brent spot crude was down US\$1.93 to US\$56.60. The US dollar was up against the euro, pound, Swiss franc and the Canadian and Australian dollars. It was virtually unchanged against the yen. The Dollar Index was up 1.3%. The yield on US Treasury 30 year bond was down 8 basis points to 2.72% while the yield on the 10 year note declined 7 basis points to 2.13%.

### Performance of major European stock market indices

Index	1-day Performance	Index close
Stoxx 600 Index	-0.90%	390
FTSE 100	-2.52%	6,703
DAX	-0.71%	11,500
CAC 40	-1.12%	4,882

Source: Bloomberg

### European markets

Stock indices dropped mainly due to renewed concerns over the situation in Greece. Mining stocks turned in a weak performance after the continued rise in the US dollar put pressure on commodity prices. Energy stocks were also under pressure as the price of oil continued to struggle due to oversupply concerns. The FTSE dropped 2.5%, the CAC declined 1.1%, the DAX was down 0.7% and the SMI lost just 0.3%.

Greece was thrust back into focus after Monday's meeting of Eurozone finance ministers. Eurogroup President Jeroen Dijsselbloem expressed frustration with Greece and accused the country of wasting time. Greece will resume talks with lenders in Brussels Wednesday. Greece repaid €310 million as the first tranche of a loan to the International Monetary Fund on Friday. Athens has to pay a total €1.5 billion to the IMF over the next two weeks.

RWE declined after it reported lower underlying profit for the year and sees further dip in earnings in fiscal 2015. Peer E.ON also retreated. HeidelbergCement declined on a broker downgrade. Hannover Re advanced after the reinsurer reported impressive full year results and announced a special dividend. Auto makers Daimler, BMW and Volkswagen declined. Both Total and Technip were down. BNP Paribas, Crédit Agricole and Société Générale were lower. Prudential dropped after its Chief Executive Tidjane Thiam decided to join Swiss lender Crédit Suisse in the same capacity. Meanwhile, Credit Suisse advanced on the news. HSBC finished lower even though it received a broker upgrade. Tullow Oil, BG Group and Royal Dutch Shell retreated. Miners also were weak on the day. Geberit climbed after its full year 2014 earnings topped analysts' expectations. The company also announced that it will increase its dividend by 10.7%. Adecco gained ahead of its earnings report on Wednesday. However, Nestlé, Novartis and Roche were down.

French industrial production grew unexpectedly in January while Italian output declined for the first time in four months. Spain's retail sales growth slowed for the first time in five months in January, after hitting a record high in December.

## Performance of major Asia Pacific stock markets

	Index	1-day Performance	Index close
Asia	MSCI AC Asia Pacific ex Japan	-1.02%	474
Japan	Nikkei 225	-0.67%	18,665
Hong Kong	Hang Seng	-0.94%	23,897
China	Shanghai SE	-0.49%	3,286
Taiwan	Taiwan TAIEX	-0.28%	9,537
Korea	KOSPI	-0.40%	1,985
Australia	S&P/ASX200	+0.05%	5,824
India	SENSEX 30	-0.47%	28,710
Singapore	Straits Times	-0.19%	3,398
Malaysia	Kuala Lumpur Comp	-0.11%	1,790
Thailand	Stock Exchange Index	-1.84%	1,531
Indonesia	Jakarta Comp	+0.34%	5,463
Philippines	Philippine SE	+0.10%	7,828

Source: Bloomberg

### Asia Pacific Markets

Stocks were down Tuesday despite a positive close in the US overnight and that data showed a surprise pick-up in consumer inflation in China which was attributed mainly to seasonal factors. Australian shares were flat, weighed down by a continued decline in iron ore prices.

The Shanghai Composite was down 0.5% while the Hang Seng was 0.9% lower. February consumer prices rebounded in China while producer prices continued to decline adding to persistent concerns about deflation in the economy. Consumer prices were up 1.4% on the year, beating expectations for an increase of 0.9%. The producer price index dropped 4.8% after sliding 4.3% in the previous month.

The Nikkei erased early gains to end down 0.7% and near a two week low. Banks were hit hard on a report the Basel Committee may ask them to boost capital as a sufficient cushion in case of spikes in US interest rates. Mitsubishi UFJ Financial Group, Sumitomo Mitsui Financial Group and Mizuho Financial Group were down. McDonald's Holdings Japan retreated after it reported an almost 29% decline in February same store sales. Yahoo Japan declined after activist hedge fund Starboard Value LP pushed for a major overhaul at the Internet company. Panasonic was down after it announced an agreement with German chip maker Infineon Technologies to jointly manufacture high performing Gallium nitride devices. However, exporters including Honda Motor, Sharp and Nikon advanced after the yen resumed its slide to touch the lowest level against the dollar in more than seven years.

The Kospi lost 0.4% on renewed worries the Federal Reserve may raise interest rates as early as June. The Sensex was down 0.5% also on worries about Federal Reserve policy going forward.

## Today in Business and Finance

China posts February industrial output and retail sales. Japan releases January machine orders and February producer price index. Australia reports January home loans. The UK posts January industrial production. The US reports the February Treasury budget. The Federal Reserve will announce the results of the second and final stage of its stress tests for 2015.

### Bond markets

10-year Government Bond Futures	Closing Yield	Change
US	+2.13%	-0.06%
UK	+1.80%	-0.14%
Germany	+0.23%	-0.08%
Japan	+0.45%	-0.02%
Australia	+2.68%	-0.06%

Source: Bloomberg

### Commodities and currencies

Commodity	Close	Change
Crude oil 1-month futures	\$48.29	-3.42%
Spot Gold	\$1,161.85	-0.45%
Thompson-Reuters/Jeffries Commodity Index	219.31	-1.49%

Source: Bloomberg

Currency	Close	Change
Japanese yen	121.13	+0.02%
Australian dollar	0.7626	-0.99%
Euro	1.0698	-1.42%
British pound	1.5070	-0.38%
Canadian dollar	0.7881	+0.65%

Source: Bloomberg