Global stocks drop on weak economic data, lower oil

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NEW YORK: World stock markets cooled on Tuesday following lackluster European and US economic data and a drop in oil prices after the Saudi Arabia ruled out a production cut.

Sellers reversed much of Monday's gains, as markets continued to show a lack of confidence in the global economy.

London's benchmark FTSE 100 index closed 1.2 percent lower, Paris' CAC 40 lost 1.4 percent and the DAX 30 in Frankfurt shed 1.6 percent. The US S&P 500 fell 1.3 percent.

Markets were on the back foot after a closely-watched report rated German business confidence in February at the lowest level since December 2014.

"The majority of companies were pessimistic about their business outlook for the first time in over six months," said the Ifo economic institute, with manufacturers in particular voicing deep concerns.

That was followed by the Conference Board report that the US consumer confidence index slumped to 92.2 in February from 97.8 in January, with assessments of both the present situation and the expected situation in six months both declining.

Adding to the downcast news, Saudi oil minister Ali al-Naimi touted an effort among major oil producers to agree to freeze output, but shut the door on a production cut.

Naimi, speaking at a Houston energy conference, said freezing output was more realistic than cutting because “not many countries are going to deliver, even if they say they will cut production.”

Oil finished down more than four percent.

“Overall we continue to see markets which are more or less moving in line with movements in commodity prices,” said David Levy, portfolio manager at Republic Wealth Advisors.

Energy, banking shares slump

Energy and metals suffered especially large declines, with the miner Anglo American falling 6.3 percent, US oil giant Chevron shedding 4.4 percent and French steelmaker ArcelorMittal falling 4.5 percent.

Banking shares were battered after Dow member JPMorgan Chase disclosed plans to set aside an additional $600 million to cover potential loan defaults in the energy and mining sector, and could reserve another $1.5 billion if conditions worsen.

JPMorgan lost 4.2 percent, while Bank of America, Citigroup and European financial titans like BNP Paribas and Deutsche Bank lost between two and four percent.

Dow member United Technologies fell 0.8 percent following its statement that it halted merger talks with Honeywell due to “insurmountable regulatory obstacles and strong customer opposition” that would make a combination impossible. Honeywell fell 0.9 percent.

Japanese auto supplier Takata plunged 4.3 percent after the US auto safety regulator said Monday that tens of millions more cars could be recalled over an airbag defect linked to at least 10 deaths globally and scores of injuries.

The British pound remained pressured by the burgeoning debate on a referendum to exit the European Union.

Almost 200 bosses of top British companies urged voters to keep Britain in the EU, warning that an exit from the bloc would threaten jobs.

Some 198 business leaders including Roger Carr, chairman of BAE Systems, BP chief executive Bob Dudley and Ron Dennis, chief of F1 team McLaren, wrote a joint letter published in the Times daily, backing Prime Minister David Cameron’s call to remain in the EU.

– *AFP*

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