Europe Stocks Drop Fifth Day as Global Selloff Continues

By Sofia Horta e Costa - Oct 13, 2014

European stocks declined for a fifth day after concern that the global economic recovery is faltering pushed the Stoxx Europe 600 Index to its worst week since May 2012. U.S. index futures and Asian shares also fell.

The Stoxx 600 dropped 0.7 percent to 319.52 at 8:07 a.m. in London, its lowest level since February, with all its 19 industry groups down except for commodity producers. The Euro Stoxx 50 Index of the biggest stocks in the euro area is down 10 percent from its high in June. France’s CAC 40 Index has declined 12 percent from its high that month, and Germany’s DAX Index has lost 13 percent from its July record.

Standard & Poor’s 500 Index futures dropped 0.3 percent after the gauge slipped to its lowest level since May, while the MSCI Asia Pacific Index (MXAP) fell 0.3 percent to a six-month low.

Europe’s equity benchmark gauge lost 4.1 percent last week for a third straight drop, its longest streak in more than 15 months, as the International Monetary Fund cut its global growth forecasts and German industrial production shrank the most since 2009. The Stoxx 600 has slumped 8.5 percent since June 10, when it reached its highest level in more than six years. Global equities have lost $4.5 trillion in value since reaching a record last month.

Economists Skeptical

As investors become more skeptical, pulling a record $1 billion from an exchange-traded fund tracking European equities, the latest European Central Bank strategy is also failing to convince economists. More than 60 percent of respondents in a Bloomberg monthly survey say the plan to steer the ECB’s balance sheet toward early-2012 levels is set to fall short, and a growing number predict President Mario Draghi will resort to large-scale government-bond buying.

Some officials are already opposing the plan to buy asset-backed securities and covered bonds. IMF meetings in Washington this weekend showed differing opinions over how much more stimulus the euro-area economy needs from the European Central Bank. While Draghi repeated he’s ready to expand the central bank’s balance sheet by as much as 1 trillion euros ($1.3 trillion), Bundesbank head Jens Weidmann said a target value isn’t set in stone.

The VStoxx Index, a gauge measuring volatility expectations for euro-area stocks, closed at its highest level since March. The measure jumped 17 percent last week, and has gained 82 percent since reaching
a 7 1/2-year low in June.

Among stocks moving on corporate news today, Gas Natural SDG SA fell 4.4 percent after offering to buy Chile’s Compania General de Energia SA for 2.6 billion euros. Deutsche Bank AG declined 1.2 percent as Spiegel reported the lender’s provisions for potential legal costs may reach 7 billion euros. Accor SA slipped 1.6 percent after making an indicative offer to buy Louvre Hotels Group.

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