European Stocks Lower as China Concerns Continue

Worries Persist That China's Economy Is Slowing

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Markets were swept up in a fresh wave of nerves over China's growth prospects Wednesday, with stocks, some emerging-market currencies and copper the key pressure points.

Week Chinese trade data released at the weekend have rattled investors who were already nervous over the standoff between Russia and the West in Ukraine.

Copper, already battered in recent days, continued to fall amid fears of a sharp slowdown in the world's second-largest economy.

Markets Pulse

The metal sank more than 1% to $6,376.45 a ton, its lowest price since July 2010. The copper price has fallen nearly 10% over the past four trading sessions.

Concerns over China continued to spill into a wide range of assets. European stocks followed Asian shares lower and U.S. stock futures fell, while traditional safe harbors including government debt, the Japanese yen, and gold, rallied.

"The slowdown has been going on for some time but is increasingly becoming apparent. The risk of contagion from China to the rest of the world is now the number one tail risk for markets," said Jeanne Asseraf-Bitton, head of cross-asset research at Lyxor Asset Management in Paris, which manages about $110 billion of assets.

The recent depreciation of the yuan likely indicates that Chinese authorities are becoming increasingly worried about slackening growth, Ms. Asseraf-Bitton added.

Emerging-market currencies, which have recently steadied after a swoon earlier this year, were also showing signs of stress.
The South African rand declined to a two-week low of 10.9624 rand per dollar. The Turkish lira also briefly hit a five-week low against the greenback.

Turkey's government bonds also sank, amid clashes between police and protesters following the death of a 15-year-old boy hit by a police tear-gas capsule during antigovernment protests last summer. Two-year Turkish bond yields climbed to 11.75%, the highest since July 2009.

Elsewhere the yen, which typically rises in times of stress, gained 0.2% against the dollar.

Gold added 0.5% to hit $1362.50 an ounce, its highest since late October.

In equity markets, Japan's Nikkei closed 2.6% lower, while Hong Kong's Hang Seng lost 1.7%. The Stoxx Europe 600 index followed suit, falling by 1% midmorning in Europe with mining shares leading the decline.

Germany's DAX, a notably weak performer over the past two weeks because of the country's unusually heavy reliance on Russian gas, fell by 1.2%.

In the U.S., futures contracts pointed to a 0.2% opening loss for both the S&P500 and the Dow Jones Industrial Average. Changes in futures don't necessarily accurately predict market moves after the opening bell.

In the background, tensions between Russia and the West in Ukraine ahead of Sunday's referendum over the future of Crimea are giving investors further reason for caution.

"The more risk-averse trading environment has also been triggered by the latest developments in the Ukraine with little signs of progress having been made toward resolving the ongoing standoff with Russia over its occupation of Crimea," said Lee Hardman, a currency analyst at Bank of Tokyo Mitsubishi.

—Ben Winkley contributed to this article.

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