Asian Shares Tumble on Recession Worries

By SHRI NAVARATNAM And GA-WOON PHILIP VAHN

SINGAPORE—Asian stock markets dropped sharply on Monday as investors started a fresh quarter on a sour note, with Hong Kong tumbling 4.9% to a 28-month low amid persistent concerns about a potential double-dip recession for the global economy.

Copper was down over 2.5%, while oil, Asian currencies and the euro fell amid lingering worries over Europe’s debt crisis. The regional mood remained dim after Wall Street’s sharp fall on Friday and as the Greek government acknowledged over the weekend that it will miss its deficit targets this year.

"The market continues to be in a state of limbo, grappling with the lingering fallouts of the global financial crisis," said Cameron Peacock, a market analyst at IG Markets in Sydney. "Despite best intentions, politicians and central bankers have been unable to come up with any meaningful solutions and this has in turn eroded the market's confidence that there's any light at the end of the tunnel," he said.

The U.S. and many Asian stock markets suffered their worst quarterly losses in the third quarter since the 2008 financial crisis, as investors bailed out of equities on concerns of a double dip recession for the global economy amid Europe's debt crisis and the grim U.S. growth outlook.

Hong Kong’s Hang Seng Index slumped 4.9% to its lowest level since May 2009. Japan’s Nikkei Stock Average lost 2.6%, Australia’s S&P/ASX 200 fell 2.5%, and India’s Sensex declined 2.1%. Several Southeast Asian bourses extended their recent heavy losses as investors worried the West’s problems will cripple Asia’s economies; Indonesian shares were down 3.7% and Thailand’s SET index fell 4.5%.

Markets in South Korea and China were closed for a holiday. Dow Jones Industrial Average futures fell 59 points in screen trade.

Asian currencies, including the Singapore and Australian dollars, were weaker, in a reflection of the heightened risk-aversion.
The euro dropped against the U.S. dollar and the yen as investors fretted over the slow progress made by European officials to resolve Greece's debt woes and the economic crisis threatening the euro-zone periphery. "We expect uncertainty about the paths of the U.S. and eurozone economies to make for another volatile week in financial markets," said Tim Condon, economist at ING.

The single currency was fetching $1.3322, from $1.3390 late on Friday in New York, and ¥102.57 against the yen, from ¥103.12. The dollar was at ¥76.99, from ¥77.09. The Australian dollar hit a fresh 2011 low at US$0.9594, and was recently at US$0.9603, from US$0.9750 late on Friday in Sydney.

A broad selloff hammered Hong Kong stocks. Mainland banks led the downturn due to concerns over rising non-performing loans following news the city of Wenzhou, a center of China's private economy, has taken emergency measures to help struggling private businesses. China Construction Bank fell 4.8% and Bank of China slumped 6.1%.

In Tokyo, the weak offshore sentiment eclipsed the Bank of Japan's tankan survey showing Japanese business sentiment turned positive in the third quarter, as companies restored supply chains hit by the March natural disasters. However, the outlook was clouded by a strong yen and weak global growth.

Major exporters were down, with Toyota Motor off 2.7% and Sony tumbling 4.2%.

Elsewhere, data showing manufacturing activity in Taiwan and Australia continued to contract in September underscored global recession worries.

BHP Billiton fell 1.9% in Sydney, while Cathay Financial lost 3.8% in Taiwan.

Spot gold was at $1,630.30 per troy ounce, up $5.50 from Friday's New York close.

November Nymex crude oil futures were down $1.09 at $78.11 per barrel on Globex.

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