Asian Stocks Fall Most in a Week as Metals, Euro Retreat

By Lynn Thomasson and Masaki Kondo - Apr 16, 2012

Asian stocks fell the most in a week, the euro dropped and commodities slid after the Bank of Korea cut its growth estimate and as Spain prepared to auction bonds. The yuan weakened as China doubled the currency’s trading band against the dollar.

The MSCI Asia Pacific Index dropped 0.8 percent as of 1:46 p.m. in Tokyo. Standard & Poor’s 500 Index futures slipped 0.3 percent. The euro fell 0.4 percent to $1.3022, while the yen and dollar rose against most of their 16 major peers. Bond risk in Asia climbed to a two-month high. The S&P GSCI Index of commodities lost 0.7 percent, led by nickel, lead and wheat.

Spain is scheduled to sell debt tomorrow and on April 19 as the nation’s borrowing costs approach levels that prompted Greece, Ireland and Portugal to seek bailouts. South Korea’s central bank today cut its growth estimate for Asia’s fourth-largest economy, citing higher oil prices and a slower global recovery. The People’s Bank of China on April 14 increased the flexibility of its exchange rate for the first time since 2007.

“If Spain’s yields continue to rise, then they’re going to get to a point where they may well need some form of assistance, as Greece did,” said Imre Speizer, a strategist in Auckland at Westpac Banking Corp. “The euro does look like it’s vulnerable to breaking down a lot further in the short term.”

Yuan Weakens

The yuan dropped 0.17 percent to 6.3140 per dollar. The People’s Bank of China cut its daily fixing by 0.13 percent to 6.2960. A more flexible yuan may help central bank Governor Zhou Xiaochuan control inflation and support an economy that the World Bank sees growing 8.2 percent this year. That would be the slowest since 1999, according to data compiled by Bloomberg.

More than two stocks fell for each that rose in the MSCI Asia Pacific Index. (MXAP) The Nikkei 225 Stock Average slumped 1.3 percent and Australia’s S&P/ASX 200 Index fell 0.6 percent. The Hang Seng China Enterprises Index lost 1.2 percent.

South Korea’s Kospi index dropped 0.9 percent after the Bank of Korea said the economy will expand 3.5 percent in 2012, compared with a 3.7 percent estimate in December.

The cost of insuring Asia-Pacific bonds against non-payment increased, according to traders of credit-default swaps. The Markit iTraxx Asia index of 40 investment-grade borrowers outside Japan advanced 6 basis points to 170, Royal Bank of Scotland Group Plc prices show. The gauge is on course for its highest close since Feb. 2, according to data provider CMA.

Spain’s Bond Yields

Industrial & Commercial Bank of China Ltd. declined 0.8 percent in Hong Kong after two people with knowledge of the matter said Goldman Sachs will sell shares in the world’s biggest bank by market value at a 3.1 percent discount. Temasek Holdings Pte said today it will buy 3.55 billion ICBC shares from Goldman Sachs.

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Yields on Spain’s 10-year notes soared as much as 18 basis points to 6 percent on April 13. Five-year credit-default swaps linked to Spain’s bonds jumped to 502.5 basis points at the end of last week, the highest on record, according to data going back to 2004 from CME Group Inc.’s CMA. Swap premiums rise when investors’ perception of creditworthiness deteriorates.

Australian bonds gained, pushing down the yield on 10-year debt four basis points to 3.79 percent, the least since Feb. 3. Ten-year Treasuries (USGG10YR) yielded 1.98 percent.

Losses in U.S. equity futures suggest the S&P 500 may extend declines after a 2 percent drop last week, the worst performance this year. Citigroup Inc. and Mattel Inc. are scheduled to report first-quarter earnings today and 91 companies in the S&P 500 will post results this week.

The euro earlier touched $1.3009, the lowest since March 15. The single currency dropped as much as 0.4 percent to 82.21 U.K. pence, the weakest since September 2010.

‘Constructive’ Talks

Oil fell 0.7 percent to $102.09 a barrel in New York after the first international talks with Iran on its nuclear program in 15 months produced an agreement to reconvene in May. United Nations Security Council members will meet Iranian delegates in Baghdad on May 23 following “constructive” talks in Istanbul on April 14, Catherine Ashton, the European Union’s foreign policy chief, said yesterday.

Copper for delivery in three months dropped 0.8 percent to $7,927.50 a metric ton on the London Metal Exchange. Spot gold lost 0.5 percent and platinum for immediate delivery fell as much as 1.2 percent, reaching the lowest price since January.

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