China Caution Crimps Asia Markets

By WEI-ZHE TAN And SHRI NAVARATNAM

SINGAPORE—Asian stock markets were lower Tuesday as concerns over slowing growth in China eclipsed better-than-expected U.S. economic indicators, sending regional China-linked stocks and copper prices falling.

A day after Chinese Premier Wen Jiabao said the government was targeting 7.5% growth this year after seven straight years of an 8% target, markets remained on edge amid the backdrop of the European debt crisis and worries of fresh head winds for the global economy from rising oil prices.

"The forecast served as a reminder that while China is expected to engineer a soft landing, it remains a decelerating growth story," said Stewart Hall, senior currency strategist at RBC Dominion Securities in a note. "In a world starved for growth this is an unwelcome forecast."

Separately, U.S. service-sector and factory-order numbers beat expectations, but investors were preoccupied by the slower growth outlook for China, sending copper prices 0.6% lower and weighing on resources stocks.

"The big theme is the sell-off in resources that continued overnight," said Nick Burmester, head of sales trading at Evans and Partners in Sydney. "Coking-coal prices have been particularly weak and that's a big leading indicator of what's really happening in China." Coking coal is used in steel production.

Japan's Nikkei Stock Average was down 0.9%, South Korea's Kospi Composite was 1% lower, Hong Kong's Hang Seng Index was down 1.7% and China's Shanghai Composite and Singapore's Straits Times Index were both 1.4% lower. Fighting the trend, India's Sensex was up 0.6% on bargain-buying.

Australia's S&P/ASX 200 finished the day down 1.4% at 4204.7, a two-week low.

Dow Jones Industrial Average futures were down 35 points in electronic trading.

China-linked stocks, lost ground with Posco down 2.3% and Hyundai Steel 2.2% lower in Seoul, and Fanuc off 2.4% and Komatsu 1.7% lower in Tokyo.

Sydney shares slumped as resources stocks were hit by the lower growth outlook in China, a key importer of Australia's raw materials. BHP Billiton was down 2.3%, Rio Tinto was off 1.9% and Fortescue Metals was 1.3% lower. Resources plays were also significant underperformers in Hong Kong, sending the Hang Seng Index to a three-week low at 20913.57; it has since recovered a bit. Jiangxi Copper was down 2.9% and Aluminum Corp. of China was 3.1% lower.

AIA Group slumped 8% to 26.85 Hong Kong dollars (US$3.46) after its major shareholder, American International Group, raised around US$6 billion by selling part of its stake in the insurer at HK$27.15, a 7% discount to AIA's last closing price.

The Australian dollar, already under pressure from China's soft growth outlook, extended its losses after the Reserve Bank of Australia held its cash rate steady at 4.25% as expected, and kept the door open to ease rates if global conditions demand it.

"Should demand conditions weaken materially, the inflation outlook would provide scope for easier monetary..."
policy," the RBA said.

The Australian dollar was recently at US$1.0615, from US$1.0644 just prior to the RBA statement.

Weaker equities and the Australian dollar's fall dented the euro, but the major worry for markets was that Greece's private creditors will reject debt-restructuring terms.

"If a two-thirds majority acceptance does not occur it's widely believed that the Greek government could force full participation and thus trigger a default," said Sydney-based Ben Taylor, sales trader at CMC Markets in a note.

The common currency was at $1.3195 from $1.3217 late Monday in New York, and ¥107.39 against the Japanese yen from ¥107.77. The dollar was at ¥81.39 from ¥81.54.

Spot gold was at $1,703.40 per troy ounce, down $3 from its New York settlement on Monday. April Nymex crude oil futures were up three cents to $106.65 per barrel on Globex.

Write to Wei-Zhe Tan at wei-zhe.tan@dowjones.com