European Stock Futures Climb; Metals, Chinese Stocks Fall

By Lynn Thomasson and Yoshiaki Nohara - Mar 14, 2012

European equity futures and Asian stocks rose, while the dollar advanced after the Federal Reserve bolstered confidence in the U.S. financial system and raised its economic assessment. Chinese stocks and metals fell as Premier Wen Jiabao said home prices were far from reasonable levels.

Euro Stoxx 50 Index futures added 0.4 percent as of 7:26 a.m. in London. The MSCI Asia Pacific Index (MXAP) climbed 0.7 percent and Standard & Poor's 500 Index futures slipped 0.1 percent. The Shanghai Composite Index tumbled 2.6 percent. The yen reached an 11-month low and the dollar strengthened against 14 of its 16 major peers. Treasury 10-year yields climbed to the highest level this year. Copper dropped 0.6 percent.

The Fed said yesterday that strains in global financial markets have eased and the labor market is gathering strength. In a separate statement, the U.S. central bank said 15 of the nation’s largest 19 banks could maintain adequate capital levels even in a recession scenario. Wen, holding his last regular press conference at the end of the annual National People's Congress, said the government would keep property curbs.

“It is just a continued pattern of relatively strong U.S. economic data,” said Shane Oliver, Sydney-based head of investment strategy at AMP Capital Investors Ltd., which oversees about $100 billion. “Overall it's fairly a positive sign for the U.S. financial sector, banks in particular. It shows how much things have turned around from the situation three years ago.”

Asian Stocks

Hong Kong’s Hang Seng Index (HSI) was little changed after an early gain of as much as 1.4 percent. The Nikkei 225 Stock Average jumped 1.5 percent as exporters advanced on speculation that declines in the yen will boost overseas earnings. The BSE India Sensitive Index, or Sensex, climbed 0.3 percent.

Samsung Electronics Co. (005930), South Korea’s biggest consumer electronics exporter, rose 2.4 percent in Seoul after iSuppli said the company will supply the touch screen for Apple Inc.’s new iPad. United Co. Rusal (486), an aluminum producer, fell 2.9 percent in Hong Kong after its chairman quit because of disputes with controlling shareholder Oleg Deripaska about dividends and asset sales.

Futures signal U.S. stocks may decline today after the Dow Jones Industrial Average closed at the highest level since 2007. The Fed said yesterday that it expects “moderate economic growth” and predicted the unemployment rate “will decline gradually.” In their last statement in January, policy makers said growth would be “modest” and unemployment “will decline only gradually.”

Stress Tests

Financial stocks rose 0.9 percent in the MSCI Asia-Pacific gauge, the third-biggest advance among 10 industries. The results of the U.S. central bank’s stress tests show that almost three years of economic expansion have helped U.S. banks raise profits, rebuild capital, and increase liquidity after the collapse of Lehman Brothers Holdings Inc. in 2008.
Citigroup Inc. (C) slumped 3.3 percent after the close of regular trading in New York as it failed to meet the Federal Reserve’s minimum requirements in a stress test.

“I was expecting all of the banks to pass, but when you look at the terms the stress tests were so onerous that a modest miss really isn’t all that discouraging to me,” said William Fitzpatrick, a Milwaukee-based financial-services analyst at Manulife Asset Management, whose team oversees $800 million.

Breakeven Rate

A gauge of inflation expectations based on Treasury yields climbed to a seven-month high before U.S. data today that may show import prices rose the most in three months. The 10-year breakeven rate, derived from the difference between yields on conventional and index-linked bonds, rose as high as 2.38 percentage points, a level unseen since Aug. 2. The benchmark 10-year note yield rose three basis points to 2.16 percent, the highest level since Dec. 2.

The cost of insuring Asian bonds against non-payment dropped, according to credit-default swap traders. The Markit iTraxx Asia index of 40 investment-grade borrowers outside Japan fell 5 basis points to 147 basis points, Barclays Plc prices show. The gauge is poised to close at its lowest level since Sept. 1, according to data provider CMA.

The dollar rose 0.3 percent to 83.15 yen, after reaching 83.32, the strongest level since April. The yen has lost 5.4 percent in the past month, the worst performer among the 10 developed-market currencies tracked by Bloomberg Correlation-Weighted Indexes.

Platinum prices climbed above gold for a third day, after trading at a discount since September, on speculation that demand will increase with stronger global economic growth as output in South Africa, the world’s largest producer, declines. Spot platinum, this year’s best-performing precious metal, gained 0.1 percent to $1,690.50 an ounce. Spot gold traded at $1,670.83 an ounce.

To contact the reporters on this story: Lynn Thomasson in Hong Kong at lthomasson@bloomberg.net; Yoshiaki Nohara in Tokyo at ynohara1@bloomberg.net.

To contact the editor responsible for this story: James Poole at jpoole4@bloomberg.net

©2012 BLOOMBERG L.P. ALL RIGHTS RESERVED.