Stocks, bonds and commodities fell around the world and the yen strengthened after Bank of Japan Governor Haruhiko Kuroda left stimulus efforts unchanged, stoking speculation central banks will fail to keep the global recovery on track.

The MSCI All-Country World Index dropped 0.5 percent to 364.1 at 8:40 a.m. in New York, with Europe's benchmark sinking to a seven-week low. Standard & Poor's 500 Index futures lost 1 percent. The S&P GSCI (SPGSCI) gauge of 24 raw materials retreated 1 percent. Japan's currency strengthened at least 1.3 percent against all of its 16 major peers and the Australian dollar sank to the lowest level in almost three years. The yield on 10-year Treasuries climbed to a 14-month high.

The BOJ left unaltered the one-year fixed-rate loan facility the bank has tapped seven times amid a surge in volatility during which yields have jumped from a record low in April. At a press briefing in Tokyo, Kuroda said that the central bank will discuss longer funding operations if they become necessary. While global stocks have dropped 4 percent from this year's peak on May 21 on speculation the Federal Reserve will taper bond purchases, they are still 7.3 percent higher in 2013.

"When the game starts to change with central banks, it is inevitable bonds are going to suffer," Jim O'Neill, former chairman of Goldman Sachs Asset Management, said in an interview in London today. "If the U.S. is returning to normality, which I have suspected for a while it is, and the Fed starts to change its own view about that then at some point, we have to get used to the notion of U.S. bonds being closer to 4 percent than 2."

Rising Volatility

Volatility has jumped, with the Vstoxx Index based on the Euro Stoxx 50 Index climbing 10 percent today. The Chicago Board Options Exchange Volatility Index, or VIX (VIX), added 2 percent yesterday. The equity volatility gauge, which moves in the opposite direction as the S&P 500 about 80 percent of the time, reached a six-year low in March and has risen 37 percent since then.

The Stoxx Europe 600 Index (SXXP) slid 1.8 percent as 20 shares declined for every one that advanced. ICAP Plc slipped 3.7 percent, the most in two months, after Credit Suisse Group AG downgraded the world's largest broker of transactions between banks to underperform. Legrand SA lost 5 percent after Wendel, France's largest publicly traded investment firm, sold its remaining 5.4 percent stake in the biggest maker of wiring devices.

The decline in U.S. stock-index futures signaled that the S&P 500 will slip for a second day. The equity benchmark posted its biggest two-day gain in five months at the end of last week.

Emerging Markets

The MSCI Emerging Markets Index (MXEF) fell 1.6 percent, retracting for a fifth day to a nine-month low, led by the biggest declines since 2011 in Indonesia, Thailand and the Philippines. The Hang Seng China Enterprises Index (HSCEI) of mainland companies listed in Hong Kong dropped for a 10th day, the longest losing streak in 17 years, slipping 1.7 percent.

The cost of protecting against losses on Turkish debt rose 17 basis points to a 10-month high as clashes between protestors and riot police continued in Istanbul's Taksim Square. The yield on Turkey's two-year note increased 32 basis points to 6.82 percent, climbing 103 basis points since the day before protests erupted on May 31.

The lira gained 0.3 percent against the dollar, reversing earlier losses of as much as 0.4 percent after the central bank took tightening measures. The benchmark stock gauge slipped 1.6 percent, after climbing as much as 2.3 percent.

Commodities Slide

Commodities fell for the second consecutive day, led by metals. Aluminum dropped 1.7 percent and copper declined 1.3
percent. Brent crude slipped 1.6 percent to $102.34 a barrel. Lean hogs advanced for a fourth day, the longest streak since April 26, after climbing to a two-year high yesterday.

German power prices for 2014 fell as much as 1.2 percent to 37.65 euros a megawatt-hour, the lowest since it started trading in 2010, as coal for delivery to northwest Europe next year declined 0.9 percent to a record $87.50 a metric ton, according to broker data compiled by Bloomberg.

The yen appreciated 2 percent to 96.88 per dollar and gained 1.8 percent to 128.6 per euro. The 17-nation shared currency rose 0.1 percent to $1.3270.

The Australian dollar fell 1.3 percent to 93.40 U.S. cents after reaching 93.26, the weakest level since September 2010, as data on home-loan approvals rose 0.8 percent, compared with a 2 percent gain expected by economists.

Asia Currencies

The Bloomberg-JPMorgan Asia Dollar Index (ADXY) slumped as much as 0.4 percent to a nine-month low as the ringgit and won tumbled. India’s rupee pared losses after the government said it’s considering options including an overseas bond sale to spur fund inflows and on speculation the central bank sold dollars.

Government bonds fell around the world. The yield on 10-year Treasuries climbed five basis points to 2.26 percent, the highest since April 4, 2012. Greece’s 10-year yield jumped 102 basis points to 10.58 percent, a one-month high. Portugal’s 10-year yield climbed as much as 37 basis points to 6.59 percent, the highest since Feb. 26. Ireland’s 10-year yield rose to 4.26 percent, a two-month high. Spanish and Italian securities also dropped.

The cost of insuring corporate bonds with credit-default swaps increased for a second day, with the Markit iTraxx Crossover Index of contracts on 50 companies with speculative-grade ratings rising 26 basis points to 475, the highest since April 5.

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