

## Recession and Credit Woes Rattle Investors

Recession fears following the biggest U.S. job losses in five years mixed with strains in the credit market on Monday to depress global stocks and the dollar and drive investors to search for safety.

European shares got off to a poor start and Japan's benchmark Nikkei index `<.N225>` closed at a 2-1/2-year low.

"The real problem right now is the U.S., with the final toll of the subprime crisis still unknown," said Katsuhiko Kodama, senior strategist at Toyo Securities Co. in Tokyo.

Worries that the world-leading U.S. economy is heading for or is already in recession were fuelled on Friday when the U.S. Labor Department said 63,000 non-farm jobs had been eliminated in February, in contrast to Wall Street economists' forecasts that 25,000 jobs would be added.

Investors have already been pricing in a decline in U.S. growth but are not clear how far the economy will fall or how much impact it will have on other economies.

Many are waiting for the U.S. economic slide to bottom out before moving back into riskier assets such as stocks.

In the meantime, concerns have risen again over the health of the credit market. European credit spreads set record wide levels on Friday, although they have since pulled back a bit.

The Federal Reserve announced a series of term repurchase operations on Friday totaling \$200 billion to ease liquidity pressures, adding to a sense that the money markets are in poor shape.

The mix of worries hit stock markets. MSCI's main gauge of world shares `<.MIWD00000PUS>`, a benchmark for many professional investors, was down 0.5 percent for a more than 11.5 percent loss since the beginning of the year.

In Europe, the pan-European FTSEurofirst 300 index `<.FTEUS>` was down 0.9 percent. Earlier, Japan's Nikkei finished down 250.67 points or 2 percent at 12,532.13, its lowest since September 1, 2005. The broader TOPIX `<.TOPX>` closed down 1.9 percent at 1,224.39.

### SAFETY

One result was that investors sought safer assets.

Euro zone government bond futures for example, opened higher with the June Bund future up 36 ticks at 117.77.

The two-year Schatz yield fell 5 basis points to 3.209 percent as investors bought the paper. The yield on the benchmark 10-year Bund was slightly lower at 3.757 percent.

Top-rated German bonds were particularly in demand. Intra-euro zone yield spreads were close to levels not seen since the euro's inception in 1999.

Gold `<XAU=>`, also seen as a safe haven, was also up. It was priced around \$977 an ounce, for a year-to-date gain of more than 17 percent.

On currency markets, the yen and Swiss franc gained and the dollar slipped toward record lows.

"It's a carry-over from last week's payrolls data and the credit stories rumbling on," said Chris Turner, head of FX strategy at ING.

The dollar fell around 0.5 percent on the day to 102.24 yen, but held above an eight-year low of 101.41 yen struck on Friday, according to Reuters data.

The euro rose 0.2 percent to \$1.5380, edging back towards a record high of \$1.5459 hit on Friday.

The dollar index, which measures the dollar's value against a trade-weighted basket of six major currencies, fell to 72.806 <.DXY>, edging back towards a record low of 72.462 hit on Friday.

**Disponível em: <<http://www.nytimes.com>>. Acesso em 10/3/2008.**

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