

Market crash shakes world

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The worst week for US stocks since the Depression ended with the most volatile trading session on record yesterday, fuelling expectations that global policymakers meeting in Washington this weekend would unveil new crisis-fighting measures.

After a day of virtually indiscriminate selling in Asia and Europe, and a stomach-churning 7.7 per cent fall at the opening in New York, US stock indices staged a late rally and closed only slightly lower.

However, the tense state of the markets was highlighted by a record reading on a key measure of volatility. The Chicago Board Options Exchange's Vix Index, which had never breached 50 before this week, rose above 70 for the first time as the Dow Jones Industrial Average traded through a range of 1,040 points before closing down 1.5 per cent at 8,451.19.

The day began with a fall of 9.6 per cent in Japan's Nikkei 225 index, followed by falls of more than 10 per cent at one point in Europe. London's FTSE 100 ended 8.9 per cent lower.

"The events we've seen this week represent a once-in-a-generation increase in risk aversion and total lack of faith in the financial system surviving in its current state," said Graham Seeker, equity strategist at Morgan Stanley in London.

The US market turnaround came as finance ministers and central bankers from the Group of Seven industrialised nations moved towards agreement on a common framework for fighting the credit crisis.

The G7 were expected to agree to a communique that would commit each nation to take actions to ensure market liquidity, provide recapitalisation funds as needed for banks, ensure banks' access to funding

and establish strong depositor protection. The precise form of these commitments would differ from country to country, in the light of differences in the size and composition of national financial sectors.

The US continued to work on its plans for a recapitalisation fund expected to be outlined by early next week, and was expected to reiterate its implicit guarantee for uninsured depositors and other bank creditors.

Germany confirmed that it, too, would create a recapitalisation scheme. Other G7 nations were not expected to adopt a UK-style explicit guarantee for new bank debt. However, a number of ideas to strengthen the interbank lending market were circulating, including the idea of creating a central clearing house for interbank loans that would eliminate the company-specific risk associated with lending to a bank.

For the week, the Dow Jones Industrial Average and the S&P 500 both lost 18.2 per cent, their worst performances since 1933.

During the week of the 1929 crash, the S&P 500 fell 12.3 per cent. The FTSE 100 fell by 21 per cent for the week, the second-worst in its history, while the FTSE Eurofirst 300 had a weekly fall of 22 per cent and Japan's Nikkei 225 registered 24.3 per cent.

Fonte: Financial Times, London, October 11 e 12 2008, Primeiro Caderno, p. 1.