

B6 MARKETS

Subprime issue deflates US stocks

Michael Patterson

US stocks recovered somewhat on Friday after the Federal Reserve acknowledged the threat to growth and took action to ease a credit crunch but for last week as a whole they ended as losers on concern subprime mortgage losses will slow the economy, Bloomberg News reported.

The Standard & Poor's 500 Index began last week with a three-day swoon that wiped out the benchmark's gain for the year. Freeport-McMoRan Copper & Gold Inc and Valero Energy Corp helped led raw-materials and fuel producers lower as speculation mounted that higher borrowing costs will curb the

global expansion and reduce demand for metals and energy.

Stocks surged on Friday, sending the S&P 500 to its biggest rally in four years, after the Fed unexpectedly lowered the interest rate it charges banks and said it will "act as needed" to avert a crisis of confidence in credit markets. Citigroup Inc and JPMorgan Chase & Co helped push a gauge of financial stocks to the steepest two-day gain since 2002.

The Fed "would like the world to know that they are willing to contain spillover risk from the financial part of the economy into the real part," said David Darst, who oversees US\$725 billion as chief investment strategist at Morgan Stanley Global

Wealth Management in New York. "This bull market is intact."

For the week, the S&P 500 slipped 0.5 percent to 1,445.94, paring its 2007 advance to two percent. The Dow Jones Industrial Average dropped 1.2 percent to 13,079.08. The Nasdaq Composite Index lost 1.6 percent to 2,505.03.

Raw-materials producers in the S&P 500 dropped 4.7 percent as a group for the largest decline among 10 industries. Freeport-McMoRan, the world's second-largest copper producer and owner of the largest gold mine, fell 11 percent to US\$76.90. Nucor Corp, the second-largest US-based steel company, lost 5.2 percent to US\$49.61.

Valero, the largest US refiner, dived 6.3 percent to US\$64.59. Exxon Mobil Corp, the world's biggest oil company, slipped 0.4 percent to US\$84.14.

Losses in stocks were extreme enough to briefly give the S&P 500 an 11.7 percent drop from its all-time peak on July 19 — the first so-called correction of 10 percent or more since March 2003. The measure dipped to that low on August 16 after Countrywide Financial Corp, the biggest US mortgage lender, turned to an emergency bank loan because it faced a funding shortfall.

Countrywide shares plunged 23 percent to US\$21.43, the steepest weekly

loss since at least December 1982.

"It's a good time to get the shopping list ready," said Dean Junkans, who helps oversee about US\$250 billion as chief investment officer at Wells Fargo Private Bank in Minneapolis. "Things are looking more interesting now than they have in a while."

The Fed's policy-setting Open Market Committee on Friday reduced the interest rate it charges banks by 0.5 percentage point to 5.75 percent, the first time it has cut borrowing costs between scheduled meetings since the September 11 terrorist attacks. Policy makers left the overnight federal funds target rate unchanged at 5.25 percent.

European markets suffer longest losing streak

Marco Bertacche

EUROPEAN stocks have fallen for a fifth week, the longest losing streak since July 2004, on concern a rout in global credit markets will hurt earnings and erode economic growth.

Siemens AG, Europe's largest engineering company, and Arcelor Mittal, the world's biggest steel maker, paced declines by companies more sensitive to economic swings.

Ciba Specialty Chemicals AG dropped 13 percent — the most in al-

most six years — after the world's largest maker of colors for plastics said selling prices fell and raw-materials prices rose, Bloomberg News said.

"Uncertainty about the further development of key factors such as lending, economic growth and corporate earnings continue to pressure investors' willingness to assume risk," said Gerhard Schwarz, an equity strategist at UniCredit Markets & Investment Banking in Munich.

The Dow Jones Stoxx 600 Index lost 0.8 percent to 359.98 last week,

recovering most of its earlier losses after the Federal Reserve unexpectedly lowered the rate at which it loans money to banks to ease the effects of a rout in global credit markets.

The measure has dropped 10 percent since reaching a 6 1/2-year high on June 1 on concern that defaults among US borrowers with the poorest credit profiles may spill over to other markets.

National benchmarks declined in all 18 western European markets, except for the UK and Germany. The UK's FTSE 100 added 0.4 percent

and Germany's DAX gained 0.5 percent, while France's CAC 40 Index lost 1.6 percent. The Stoxx 50 added 0.4 percent, while the Euro Stoxx 50, a measure for the euro region, slipped 0.1 percent.

The US central bank lowered its discount rate by 0.5 percentage point to 5.75 percent, the first reduction in borrowing costs between scheduled meetings of the Federal Open Market Committee since 2001.

The move "will take away some of the anxiety and will help restore in-

vestor confidence for a while," said Giulio Baresani Varini, head of investments at Banca MB SpA in Milan, which manages the equivalent of about US\$607 million. "Markets are behaving irrationally as no one knows if the liquidity crisis is over."

Siemens, which makes about a fifth of its revenue in the US market, dived 4.3 percent, sending the Stoxx 600 Industrial Goods Index down 3.5 percent, the worst performance among 18 industry groups. Arcelor Mittal tumbled 4.8 percent.

BUSINESS LUNCH GUIDE

VABENE SHANGHAI

Enjoy our daily set lunch on Mondays and get a glass of wine or mocktail FREE*

For reservations call **86-21 6311 2211**

*Free drink available only with daily set lunch upon presentation of this advertisement. Photocopies will not be accepted.

House 7, North Block, Xintiandi, Lane 181, Taicang Road, Shanghai.

TRADER VIC'S Restaurant & Bar
垂德維名餐吧

Awards Winning Restaurant!

Home of the original Mai Tai cocktail, Trader Vic's offers a tropical ambience with international fusion specialties and world famous tropical drinks. Daily seafood specials are cooked to perfection with quality meat and poultry carefully prepared in signature wood-fired ovens. Our signature BBQ oven specialties are available in the evening.

Business Lunch
3 courses for 138RMB (included a coffee / tea / soft drink)

Frankie's ITALIAN BAR & GRILL

Welcome to Frankie's Italian Bar and Grill!
These exciting Italian restaurants are a result of a partnership between one of the greatest chefs of all time, and one of the greatest jockeys of recent years. Frankie's Italian Bar and Grill is a direct collaboration of talent and the results can be seen immediately upon entering our stylish Italian restaurants.

Business Dinner at Frankie's
---2 private dining rooms for business functions

- Lunch Special 3 courses for 100 RMB included a coffee or tea Or Pizza/Pasta + a soft drink for 60 RMB
- Aperitivo Every Tuesday & Thursday Complimentary Italian finger food & DJ Ivy. From 6pm onward Cocktails from RMB 38

592-596 Fengyang Road, Jingan District, Shanghai, P.R. China 200041
Tel: +86-21-5228 7731
Frankiesshanghai@goldensands.com.cn

Reservations Accepted

Advertise in the lunch Guide and fill more tables

Tel: 6102 2593-225

Private VIP rooms for business functions / events

Happy Hours — Everyday Buy one get one free 17:30 -19:30

598 Fengyang Road, 2F, Jingan District, Shanghai, P.R. China 200041
Tel: +86-21-5228 3882
Tradervicshanghai@goldensands.com.cn

592-596 Fengyang Road, Jingan District, Shanghai, P.R. China 200041
Tel: +86-21-5228 7731
Frankiesshanghai@goldensands.com.cn