

World stocks falter as oil slides \$3 a barrel



World stocks falter as oil slides \$3 a barrel amid waning economic optimism

By Pan Pylas, AP Business Writer
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LONDON (AP) -- World stock markets fell as oil prices fell \$3 a barrel Monday amid concerns that any recovery in the global economy will be a long, hard slog following disappointing U.S. jobs data last week.

In Europe, the FTSE 100 index of leading British shares was down 43.25 points, or 1 percent, at 4,193.03 while Germany's DAX declined 51.66 points, or 1.1 percent, to 4,656.55. The CAC-40 in France was 46.86 points, or 1.5 percent, lower at 3,072.65.

On Wall Street, the Dow Jones industrial average was down 56.15 points, or 0.7 percent, at 8,224.59 soon after the open while the broader Standard & Poor's 500 index fell 6.84 points, or 0.8 percent, at 889.58.

Monday is the first trading day in the U.S. since last Thursday, when U.S. stocks were sold off in the wake of worse than expected nonfarm payrolls data, which showed U.S. employers slashed 467,000 jobs in June -- 100,000 more than anticipated.

"Last week's poor U.S. jobs data is denting equity markets as optimism of economic recovery fades," said Neil Mackinnon, chief economist at ECU Group.

Equities rose from the middle of March until the start of June on hopes that the U.S. economy in particular will recover from recession sooner than anticipated. Many investors saw stock valuations as particularly cheap and started buying. The S&P 500 index in the U.S. rose around 16 percent during the second quarter, its best performance since 1998, amid hopes of a global recovery despite worries about the banking system, public finances and the length and depth of the recession.

But disappointing economic news over the last few weeks brought an abrupt end to the rally and altered the general mood prevailing among investors. The start of the second quarter earnings reporting season will provide some clues as to whether companies have already seen the worst of the recession. U.S. aluminum giant Alcoa Inc. opens earnings season on Wednesday.

"Aside from international developments, markets should also focus on the upcoming Q2 earnings in the U.S., which get started this week, and its impact on the growth outlook," said Geoffrey Yu, an analyst at UBS.

"Markets have rallied throughout Q2 on the back of strong growth expectations but if the cyclical rebound fails to materialize due to structural problems, especially in the U.S., markets may correct sharply," he added.

Earlier in Asia, Japan's Nikkei 225 stock average fell 135.20, or 1.4 percent, to 9,680.87 and Hong Kong's Hang Seng dropped 226.23, or 1.2 percent, to 17,977.17 in a choppy session.

Elsewhere, Australia's index lost 1.2 percent and Singapore's market closed off 1.2 percent.

Defying the region's losses, South Korea's Kospi added 0.6 percent after Samsung Electronics Co., the world's biggest manufacturer of memory chips, announced quarterly profit estimates for the first time. The company estimated operating profit would come in at between 2.2 trillion won and 2.6 trillion won, compared with 2.4 trillion won last year.

In mainland China, the benchmark Shanghai Composite Index closed up 1.2 percent at 3,124.67, a 13-month high.

Thailand's stock market is closed Monday and Tuesday.

Oil prices tumbled amid the global economic uncertainty, with benchmark crude for August delivery down \$3 to \$63.73 a barrel.

The dollar fell 1.3 percent to 94.77 yen the euro dropped 0.2 percent \$1.3925.

AP Business Writer Jeremiah Marquez in Hong Kong contributed to this report.

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