

Global Markets Surge after European “Shock and Awe”

Financial markets around the world reversed their losing ways, moving substantially higher as word of the €750 billion (\$960 billion) rescue package spread following a 14-hour meeting of the 16-country euro zone’s finance ministers. The chief economist at Italian bank UniCredit, Marco Annunziata, called the move “a truly overwhelming force ... more than sufficient to stabilize markets [designed to] prevent panic and contain the risk of contagion. This is Shock and Awe, Part II and in 3-D,” he said.

U.S. investors seemed to agree, sending the Dow Jones Industrial Average (an unmanaged index of 30 widely held stocks) up 404.71 points, or 3.9%, its biggest single-day gain in more than a year. The NASDAQ Composite (an unmanaged index of common stocks listed on the NASDAQ National Stock Market) was up 4.8% on the day, and the S&P 500 (an unmanaged index of 500 widely held stocks) rose 4.4%.

European exchanges registered substantial gains, too, from a 5.2% rise in London to 9.7% in France. Most key Asian markets moved up, too, although more modestly.

The unprecedented euro zone move put together a nearly \$1 trillion package: €440 billion in loan or guarantees from the 16 countries, a €60 billion insertion from the European Union’s budget, and up to €250 billion from the International Monetary Fund. It was meant to quiet investor fears that debt problems in Greece, Spain, Portugal and Italy could damage the euro and Europe’s largest banks, sending the global economy into another financial crisis and recession. The euro gained in value against the U.S. dollar.

It seems there’s never a dull day in the financial markets lately. If you would like to discuss market opportunities in relation to your portfolio, just give me a call.