World stocks waver on last trading day of 2011

PAMELA SAMPSON - AP Business Writer - Associated Press

Global stock markets were mixed Friday on 2011's last trading day and turned in heavy losses for the year after Europe's debt crisis and natural disasters battered a struggling global economy. Japan's benchmark hit its lowest close in three decades.

Benchmark oil hovered below $100 per barrel and the dollar weakened against the yen but rose against the euro.

Asian traders recorded gains for the day Friday but markets in Tokyo, Shanghai and Hong Kong ended the year with double-digit losses.

Japan's Nikkei 225 index, after three straight days of losses, rose 0.4 percent to 8,429.45, but it was the lowest closing since 1982. China's benchmark gained 1.2 percent to close at 2,199.42 — still, a 20 percent loss for the year.

European shares were steady or slightly down in early trading. Britain's FTSE 100 lost 0.2 percent at 5,555.92. Germany's DAX was marginally down at 5,846.35 and France's CAC-40 was nearly unchanged at 3,127.34.

Wall Street appeared headed for a lower closing, with Dow Jones industrial futures down 0.2 percent at 12,194 and S&P 500 futures slipping 0.2 percent to 1,255.40.

Hong Kong's Hang Seng Index gained 0.2 percent to close at 18,434.39.

Australia's benchmark S&P ASX 200 ended the year at 4,140.4 — down 0.4 percent on the day and 14.5 percent lower for 2011. A day earlier, South Korea's benchmark Kospi closed at 1,825.74 on Thursday — 11 percent down on its last trading session of the year Thursday.

Analysts said global stocks tumbled in lockstep, suffering from the effects of natural disasters, a wobbly recovery in the U.S. — and an escalating European debt crisis that has resisted repeated measures taken by the region's governments and financial institutions.

"The big reason is Europe. Europe tried to muddle through without a real solution. They can save a small country like Greece, but they cannot save a big country like Italy. Two trillion euros in foreign debt — nobody in the world has that kind of money," said Francis Lun, managing director of Lyncean Holdings in Hong Kong.

"Europe will enter a lost decade, a decade of no solutions and no growth," he said. "Maybe except in Germany, their machinery is still selling."

Japan's benchmark plunged after the March 11 tsunami and earthquake disaster that destroyed huge chunks of the island nation's northeastern region, left 20,000 people dead or missing and set off the world's worst nuclear crisis since Chernobyl.

Disaster damage extended to key suppliers for major companies like Toyota Motor Corp. and Sony Corp., which suffered production disruptions. The Thai flooding that followed caused similar problems for automakers, including Honda Motor Co., but on a smaller scale.

The Tokyo market also saw two big-name brands lose much of their value.

One was Tokyo Electric Power Co., the utility that runs Fukushima Dai-ichi nuclear power plant, where at least three reactors went into meltdown after tsunami destroyed backup generators to keep power going at the plant.

Some officials say TEPCO may have to be nationalized because of ballooning losses and the costs to bring the reactors under control and compensate victims.

Another was camera and medical equipment maker Olympus Corp., whose offices have been raided by criminal investigators after fabricated accounting to cover up massive investment losses came to light.

A British executive, who has since resigned from the board, was first to draw attention to the dubious investments, and has become a celebrity figure raising questions about old-style Japanese management.

Across the board, Japanese companies have been slammed by the rising value of the yen, which erodes the value of revenue from exports.

The Nikkei lost nearly a fifth of its value over the past year. It nose-dived right after the disaster, recouped some of those losses in July, but then started a decline that has the benchmark hovering at below the March value.

China's benchmark Shanghai Composite Index lost 21 percent in 2011 as the impact of Beijing's multibillion-dollar stimulus faded and the government tightened curbs on lending and investment to cool blistering economic growth.

The flood of state spending and bank lending after the 2008 crisis fueled a surge in real estate and stock prices. In 2010, Beijing responded by clamping down on credit and real estate speculation to cool inflation and soaring housing prices.

Beijing is trying to steer growth to a more sustainable level after 2010's explosive 10.3 percent expansion. Growth eased to 9.1 percent in the three months ending in September, down from 9.5 percent the previous quarter.

Chinese leaders have promised to ease credit to help exporters and smaller companies cope with falling global demand and weaker domestic growth. But they say most controls will remain in place. That has disappointed stock traders who are hoping for interest rate cuts and looser controls on bank lending. They have responded in recent weeks by dumping stocks and moving some money to U.S. and European markets.

The benchmark Hang Seng Index slipped in the second half of the year as concerns over Europe accelerated, sending it to a 2011 low in early October before bouncing slightly to end the year at a 20 percent loss.

Hong Kong is Chinese territory, but its financial markets are open to foreign companies and investors, which made it a popular destination this year for foreign companies looking to go public, drawn by the prospect of raising their brand profiles with China's newly wealthy as growth flags in their home markets.

Italian fashion house Prada was one of the biggest names to list in Hong Kong, with an initial public offering in June that raised $2.5 billion, making it the sixth-biggest IPO globally this year, according to deal tracking service Dealogic.

Other foreign companies that took out primary or secondary listings in Hong Kong include MGM China Holdings Ltd., the Macau casino arm of MGM Resorts International, luggage maker Samsonite S.A. and U.S. luxury handbag maker Coach Inc. However, the slumping market means share prices for many companies that went public are ending the year lower than IPO price.

Benchmark crude for February delivery fell 28 cents to $99.37 a barrel in electronic trading on the New York Mercantile Exchange. The contract added 29 cents to settle at $99.65 in New York on Thursday.

In currency trading, the dollar fell to 77.58 yen from 77.65 yen late Thursday in New York. The euro fell to $1.2913 from $1.2939.

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AP Business Writers Joe McDonald, Yuri Kageyama and Kelvin Chan contributed from Beijing, Tokyo and Hong Kong.