

Keyword: ODL Securities

TOPWRAP 4-Euro zone services drop, signs of China recovery

By Jonathan Cable and Simon Rabinovitch LONDON/BEIJING, March 4 (Reuters) - The euro zone's powerful services sector plumbed new lows last month, data showed on Wednesday, but Chinese manufacturing displayed signs of bottoming out and stock markets bounced. The Markit Eurozone Purchasing Managers Services Index showed new business in the euro zone services sector, which accounts for the bulk of the economy, plummeted in February and shed jobs at record levels. 'It's certainly too soon to say that the recession has reached a trough.

We are going to see another sharp fall in gross domestic product (GDP) this quarter,' said Ben May at Capital Economics in London. In contrast, China's manufacturing downturn showed tentative signs of bottoming out, a rare glimmer of hope for a world economy in crisis. Britain's services sector also contracted sharply in February but the rate of decline eased for a third month and the level of jobs cuts slowed a little. The United States reports its non-manufacturing PMI data at 1500 GMT with analysts expecting a further contraction in February. European stocks bounced around 2 percent after three days of losses, following the lead from Asia where markets rallied on hopes the Chinese government would step up its efforts to support the country's economy. MOOD GRIM The overwhelming mood was grim, however, with the International Monetary Fund warning late on Tuesday the global financial crisis had shifted to the world's poorest nations and 22 might need as much as \$25 billion in additional funds this year to cope with the downturn. The German Steel Federation warned steel production was set to fall below 40 million tonnes for the first time since 1993 and the country's VDMA industry association said engineering orders in January showed the biggest monthly drop in 50 years. Orders fell 42 percent on the year in real terms and foreign orders 47 percent, highlighting the impact the global downturn is having on Germany's export-orientated economy. France's Credit Agricole bank forecast the crisis could last until late next year as it posted a fourth-quarter loss that was worse than expected by analysts. Underscoring the severity of the crisis, U.S. auto sales fell more than 40 percent in February, existing home sales hit record lows and Australia's long-resilient economy finally succumbed to global headwinds, shrinking unexpectedly by half a percent in the final quarter of last year. British Prime Minister Gordon Brown will make a plea for U.S. lawmakers to help to sort out the banking system and resist protectionism when he addresses a joint session of Congress in Washington. 'I am going to say to Congress: 'Seize the moment when the whole of the world wants to work with America,' Brown told reporters in Washington. He is there to discuss with

Keyword: ODL Securities

President Barack Obama next month's G20 meeting in London on the crisis. Brown wants the world to embark on collective fiscal stimulus to get the global economy moving again, but with much of the developed world in recession, all eyes are on Beijing's efforts to revive growth in the world's third-largest economy. The Chinese economy slowed sharply late last year and the government has pledged nearly \$600 billion in extra spending to counter a collapse in exports and downturn in the domestic property sector. The third monthly improvement in China's official Purchasing Managers' Index and the first rise in output since September suggested those efforts were beginning to bear fruit. The data on Britain's services sector, which accounts for three-quarters of the economy, could also give the Bank of England some cautious optimism the economy is beginning to bottom out. Both the Bank of England and the European Central Bank (ECB) meet to decide on interest rates on Thursday with both widely expected to agree cuts. The ECB is likely to cut its rates to an all-time low of 1.5 percent, while Britain's policymakers could chop another half a percentage point to a record low of 0.5 percent. **MARKETS RALLY** Investors moved tentatively back into stocks after the MSCI world equity index racked up a 7.5 percent loss over three sessions and pushed many other indexes to multi-year lows. 'The market has been both a financial and emotional rollercoaster over the past fortnight. Investors are scrambling to find an area of support to help justify buying back in,' said Chris Hossain, senior sales manager at ODL Securities. Oil companies helped the relative rally, boosted by gains in crude, which rose more than \$1.50 to beyond \$43 a barrel after surging 4 percent on Tuesday. (Reporting by Reuters bureaus worldwide; Writing by Malcolm Davidson; Editing by Anthony Barker) Keywords: FINANCIAL/ (malcolm.davidson@thomsonreuters.com; +44 20 7542 6958; Reuters Messaging: malcolm.davidson.reuters.com@reuters.net) COPYRIGHT Copyright Thomson Reuters 2009. All rights reserved..

<http://www.cnbc.com/id/29506340>