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## Markets down amid doubts over European recovery



European markets fell early on Tuesday amid investor concerns that politicians in Italy and Greece will be unable to implement their tough austerity reforms.

By [News Wires \(/en/category/tags-auteurs/news-wires\)](#) (text)

**REUTERS** - European stocks fell early on Tuesday, adding to the previous session's drop as investors continued to fret about southern European countries' ability to tackle their debt problems and prevent borrowing costs from rising.

At 0924 GMT, the FTSEurofirst 300 index of top European shares was down 1.2 percent at 964.14 points, after losing 0.9 percent on Monday.

"The real drivers of this market are the bond yields," said Frederic Rozier, fund manager at Meeschaert Wealth Management in Paris.

"Spain's ability to address its debt issue is being tested by the market right now, though record spreads between Bund yields and the French, Spanish and Italian yields are also due to the fact that Bund yields are dropping."

Italian 10-year bond yields were hovering below 7 percent and Spanish 10-year yields were rising above 6 percent, signalling worries over the two countries' finances.

Banking stocks were among the biggest losers on Tuesday, with BNP Paribas down 4.9 percent and UniCredit down 6.9 percent.

Stocks in sectors seen as defensives were in demand, with French utility GDF Suez up 0.4 percent and Swiss food major Nestle up 0.5 percent.

### Range-bound

Around Europe, the UK's FTSE 100 index was down 0.8 percent, Germany's DAX index lost 1.8 percent and France's CAC 40 fell 1.7 percent, while the euro zone's blue chip Euro STOXX 50 index was down 2 percent.

The Euro STOXX 50 has gained about 16 percent since tumbling to a 2-1/2 year low in late September, but the rally has stalled due to mounting worries over the finances of Italy and Greece, and the index has been range-bound since the start of November, finding strong support on its 50-day moving average.

For Valerie Gastaldy, head of Paris-based technical analysis firm Day By Day, there is no clear chart signal for stocks at the moment, although the fact that Bunds are rising bodes ill for equities.

"There aren't any short-term trends in indexes ... the trend for the Bund is still bullish, though very slow. We are positive, target new highs, with a stop-loss below 136.27."

Euro zone stocks and Bunds tend to move in opposite directions. The 25-day rolling correlation between the Euro STOXX 50 index and the Bund futures was at -0.94 on Tuesday, the strongest negative correlation level ever measured since Reuters started to track the data in 1991.

Earlier in the session, reassuring data from France and Germany helped stocks pare early losses and briefly turn flat.

Figures released early on Tuesday showed the German economy grew 0.5 percent in July-September, and second quarter growth was revised up to 0.3 percent from 0.1, while France expanded by 0.4 percent in the quarter, having contracted by 0.1 percent in the previous three months.



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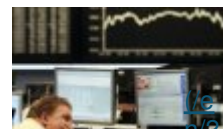
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