Asian Stocks Drop to 4-Year Low on Growth Concerns

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Asian stocks slumped, driving the region's benchmark index to the lowest level in four years, as Japanese exports missed estimates, commodities prices tumbled and South Korea's worst financial crisis in a decade deepened

Mazda Motor Corp. plunged 11 percent as the yen surged against the euro and Japan's September exports rose a third as much as projected. Korea Electric Power Corp. declined 11 percent after forecasting a loss, while South Korea led a rout in emerging markets after Belarus requested aid from the IMF. BHP Billiton Ltd. and Rio Tinto Group fell more than 9 percent as European regulators signaled they may block a merger and raw materials prices dropped to a four-year low.

``Investors are fleeing risky assets,'' said Paul Joseph Garcia, who helps manage $1.33 billion as chief investment officer at ING Investment Management Ltd.'s Manila unit. ``After the hedge funds, long-term funds are now taking their turn and pulling money off the table to meet redemptions.''

The MSCI Asia Pacific Index lost 2.8 percent to 85.33 as of 5:12 p.m. in Tokyo, set for the lowest level since August 2004. The gauge, which has plunged 46 percent this year, trimmed losses after the Wall Street Journal said the U.S. government may spend $40 billion to reduce home foreclosures.

South Korea's Kospi index plunged as much as 9.4 percent and finished the day 7.5 percent lower as the won continued to tumble sparked by concerns about the nation's financial and economic health. Hong Kong's Hang Seng index fell below 14,000 for the first time in three years.

Emerging-market stocks and currencies retreated for a second day as speculation Argentina may default on its debt sent capital out of countries perceived to be at risk. The cost of protecting Asia-Pacific bonds from default rose to a record as investors sought to minimize risk amid a worsening global economic outlook.

All Asian equity indexes lost ground. Japan's Nikkei 225 Stock Average lost 2.5 percent to 8,460.98. Isuzu Motors Ltd. led declines after saying it may miss its profit forecast this year.

Stocks pared declines after the Wall Street Journal reported the U.S. government is considering spending about $40 billion of its financial rescue package to stem increasing home foreclosures.

The Nikkei only needs to fall about 800 points to be back at a level last seen in 1982. The generation since then saw both the rise of Japan as a manufacturing superpower and subsequent deflationary spiral that hindered growth for more than a decade.

Standard & Poor's 500 Index futures added 1.4 percent in trading today. U.S. stocks slumped yesterday as the S&P lost 6.1 percent to the lowest since 2003.

Among the 990 members of the MSCI Asia benchmark, 47 percent trade at less than book value, meaning the company would be worth more if its assets were liquidated. A third of the gauge's shares carry dividend yields in excess of 5 percent. Conversely, only 25 percent of S&P 500 shares have price-to-book ratios of less than 1, while 17 percent yield more than 5 percent in dividends.

Mazda, which generates a quarter of its sales in Europe, slumped 11 percent to 220 yen, after earlier losing as much as 19 percent. Konica Minolta Holdings Inc., the world's second-largest maker of film used in liquid-crystal displays, plunged by its daily limit of 13 percent to 659 yen. Isuzu, which has seen sales drop 13 percent in Japan and 24 percent in the U.S. this year, dropped 9.6 percent to 170 yen after saying it might not meet its profit forecast.

Japan's exports, which drove almost all of the nation's growth last year, climbed 1.5 percent in September from a year earlier, missing economists' forecasts for a 5.1 percent increase.

The yen surged to as high as 123.43 against the euro, the strongest since 2003, from 128.01 at the close of stock trading yesterday, cutting the value of overseas sales.

``The large swing in foreign exchange has raised a chance Japanese companies will have to cut their earnings forecasts even deeper,'' Mitsushige Akino, who oversees about $468 million at Tokyo-based Ichiyoshi Investment Management

Co., said in an interview with Bloomberg Television.

Stocks in South Korea plunged amid concerns over the health of emerging markets, prompting an outflow of funds that sent the won tumbling. Belarus requested aid from the International Monetary Fund, joining Iceland, Pakistan, Hungary and the Ukraine in asking for assistance in weathering the global financial crisis.

Argentina's government plans to seize $29 billion in pension funds to meet the country's financing needs, a move that may presage the nation's second default in a decade. The MSCI Emerging Markets Index lost 3.3 percent today and is off 59 percent for the year.

``There's still plenty of uncertainty and nervousness out there,'' said Paul Xiradis, who manages $11 billion as chief executive officer of Ausbil Dexia Ltd. in Sydney. ``There's still some unwinding and liquidation taking place across the board.''

Korea Electric, the nation's biggest electricity producer, dropped 11 percent to 23,600 won after forecasting a 1.25 trillion won ($881 million) loss for 2008.

The won dropped 4 percent to the lowest since 1998 against the dollar. Standard & Poor's last week placed the nation's five biggest banks on review for a rating cut due to funding concerns, prompting a government bailout. The Kospi has lost more than a quarter of its value in October.

The Markit iTraxx Australia index of credit-default swaps was quoted 60 basis points higher at 360 as of 2:45 p.m. in Sydney, Citigroup Inc. data show. The Markit iTraxx Japan index climbed 22 basis points to 250 at 12:48 p.m. in Tokyo, according to prices from Barclays Capital. Prices rise as perceptions of credit quality decline.

``People are seeing economies decelerating everywhere, including Asia, and more unwinding of hedge funds' long positions,'' said Brayan Lai, a credit analyst at Calyon in Hong Kong. ``With fear of defaults from Argentina and Pakistan, everybody is a net protection buyer in the emerging world.''

BHP lost 9.4 percent to A$24.70. Rio Tinto declined 15 percent to A$66.95. European Union regulators told lawyers for BHP that its $76 billion hostile bid for Rio Tinto Group may break antitrust rules, two people close to the case said.

China Petroleum & Chemical Corp., supplier of two-thirds of the nation's auto fuels, lost 4.7 percent to HK$5.04.

The Reuters/Jefferies CRB Index of 19 raw materials plunged 4.5 percent to 266.14, the lowest since July 27, 2004. A measure of six metals traded on the London Metal Exchange fell 5.9 percent, with copper dropping 7.6 percent. Crude oil for December delivery declined to the lowest settlement since June 2007 as the economic slowdown reduced fuel consumption.

Chinese property shares climbed after the central bank said it will cut minimum down payments on mortgages by a third and lowered the floor on home loan interest rates for first-time buyers. China Vanke Co., the country's largest publicly traded real-estate developer, advanced 4.4 percent to 6.89 yuan. Gemdale Corp., the Chinese developer that is setting up a real-estate venture with UBS AG, jumped 6.9 percent to 6.32 yuan.

Australia & New Zealand Banking Group Ltd., Australia's third-largest lender, dropped 5.2 percent to A$18.01 after second-half profit fell 35 percent to A$1.36 billion ($911 million) as provisions for delinquent loans surged.

DBS Group Holdings Ltd., Singapore's biggest bank, fell 4.7 percent to S$11.06 after saying yesterday it expects to spend as much as S$80 million ($53 million) to compensate customers who bought products tied to now-bankrupt Lehman Brothers Holdings Inc.

KDDI Corp. jumped 6.3 percent to 558,000 yen. Japan's second-biggest mobile-phone operator said yesterday a new payment plan led to a 24 percent increase in second-quarter profit.

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