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Europe Debt Drops Asia Stocks

By SARAH TURNER in SydneyAnd NICK GODT in Mumbai

Asia Today: The Hong Kong IPO environment continues to worsen; South Korea's regulator reassures savers after a number of small banks were closed last week; and the strong yen is boosting M&A activity by Japanese companies overseas.

Asian stocks fell sharply Monday, adding to recent losses, as a lack of apparent progress on Europe's sovereign-debt problems fueled risk aversion and sent investors out of equities.

While the Group of 20 nations meeting in Washington offered new steps, such as leveraging the European Financial Stability Facility through borrowing, nothing concrete emerged.

"The market cannot envision any kind of a 'silver lining' at the end of the Greek debt crisis. As a result, we're caught in a downward spiral in which the risk is now higher that recession concerns will become a self-fulfilling prophecy," said Shigeo Sugawara, senior investment manager at Sompo Japan Nipponkoa Asset Management.

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- Euro Falls in Asian Trade
- Philippine Shares Slump 4.2%

Japan's Nikkei Stock Average ended down 2.2% at 8374.13, making up for lost time Friday when the Tokyo market was closed for a holiday. It was the index's lowest close since April 2009.

Hong Kong's Hang Seng Index fell 1.5% to 17407.80, at one point dipping below 17000 for the first time since May 2009. The Shanghai Composite Index lost 1.6% to 2393.18, its lowest close since July 2010, and South Korea's Kospi lost 2.6% to 1652.71, its lowest close since June 2010. Australia's S&P/ASX 200 index declined 1% to 3863.9.

Southeast Asian markets bore the brunt of the selling amid fund outflows, which also triggered margin calls. Thailand's SET index fell 5.7% to 904.06, after earlier being down as much as 9.4% and hitting its lowest point in more than a year. The Jakarta JSX Index, which fell 11% last week, ended Monday down 3.2% at 3316.14; it earlier was down as much as 6.1%. Philippine shares ended down 4.2% at 3721.22, their lowest point in more than a year, while Malaysia's KLCI shed 2.6% to 1330.86.

Further weighing on sentiment, German Deputy Finance Minister Joerg Asmussen was quoted as saying in Washington on Sunday that extra funding for Greece was unlikely to be granted at an Oct. 3 meeting, countering previous expectations.

In Tokyo, exporters were hobbled by the weakness of the euro, which touched its lowest level against the yen since 2001. Sony lost 4.1%, Sharp fell 4.9% and Toyota Motor shed 1.7%.

In line with heavy losses for many commodities on Friday and again on Monday, investors were pulling out of resource-sector firms, with Japanese energy major JX Holdings down 5.6%. The earlier falls in commodities prices, especially in crude-oil prices, also slammed Japanese trading houses, with Mitsui & Co. losing 5.9%, Mitsubishi down 7.9%, and Itochu dropping 7.6%.

Growth-sensitive resources plays around the region tumbled, with metals prices taking a hit after exchange operator CME Group Friday said it would raise the collateral requirements for gold, copper and silver. Persistent worries about a possible fresh global recession also hurt sentiment on metals, with copper prices falling as much as 6.7%.

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A currency dealer reacted at the trading room of Korea Exchange Bank's headquarters in Seoul on Monday.

Spot gold was at $1,615.80 per troy ounce, off $41.40 from New York Friday, and gold shares took some of the biggest losses: Newcrest Mining lost 8.5% in Sydney, Zhaojin Mining tumbled 18% in Hong Kong and Sumitomo Metal Mining fell 7% in Tokyo.