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GLOBAL MARKETS-Safe havens surge as weak US job market stuns

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* Stocks fall after Aug U.S. jobs show no growth from July

* Treasuries surge; 10-year TIPS yields slip to negative (Recasts, updates with Wall Street open; changes byline, dateline, previous LONDON)

By Barani Krishnan

NEW YORK, Sept 2 (Reuters) - Stunningly weak U.S. job numbers for August reinforced fears of recession on Friday, driving investors into safe havens for a second straight day and pushing bonds, the Swiss franc and gold higher.

Stocks on Wall Street slumped after the U.S. Labor Department said employers added no new jobs in August, compared with a downwardly revised increase of 85,000 jobs in July. Analysts polled by Reuters had predicted nonfarm payrolls to grow by 75,000. For more see [ID:nOAT004865].

"There are a lot of confidence issues in the marketplace, the jobs number only made things worse," said **Sal Arnuk**, co-manager of trading at **Themis Trading** in Chatham, New Jersey.

"My only question is why the market isn't down more?"

Benchmark 10-year Treasury notes US10YT=RR last traded up 25/32 in price with a yield of 2.05 percent, down 8 basis points on the day. The 10-year yield is within striking distance of 1.976 percent, an intraday low set in mid-August, according to Tradeweb. It was a level not seen in at least 60 years. In Treasury Inflation Protected Securities trading, the yield 10-year TIPS issue US10YTIP=TWEB touched minus 0.02 percent, down 7 basis points from late Thursday. This signaled that traders have slashed their expectations for long-term U.S. economic growth and inflation.

The Swiss franc CHF= hit session highs of 0.7959 to the dollar.

By 9:45 a.m. EDT, Wall Street's Dow Jones industrial average .DJI was down 11.46 points, or 1.84 percent, at 11,282.11. The Standard & Poor's 500 Index .SPX was down 22.91 points, or 1.90 percent, at 1,181.51. The Nasdaq Composite Index .IXIC was down 45.90 points, or 1.80 percent, at 2,500.14

World stocks also slumped while core government bonds rallied with U.S. Treasuries.

The MSCI world equity index .MIWD00000PUS lost 2.1 percent while European stocks .FTEU3 were down 2.7 percent. Emerging stocks .MSCIEF fell 1.5 percent.

Bund futures FGBLC1 rose 1 percent, hitting a record high on safe-haven demand.

Gold futures GCZ1 surged 2.7 percent to nearly \$1,885 an ounce.

U.S. crude oil CLc1 fell 3.7 percent at \$85.66 a barrel as concerns grew that a weaker economy would hit demand.

The euro [EUR=](#) was steady at \$1.4254, having hit a three-week low around \$1.4207 earlier on confirmation that Greece will miss its 2011 deficit target of 7.6 percent [ID:nN9E7H7021] and uncertainty over Italy's commitment to austerity measures.

(Reporting by [Richard Leong](#) in New York and Natsuko Waki and Atul Prakash in London; Editing by [James Dalglish](#))