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HD **Commodity dive hits ASX again**

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The Australian sharemarket fell deep into the red on heavy volume as miners and **energy** stocks were hammered after the global commodity market rout drove prices to fresh multi-year lows.

Following the 0.7 per cent drop on the US S&P 500 index last night the S&P/ASX 200 index fell 90 points, or 1.68 per cent, to the day's low of 5282.7, wiping about $22 **billion** off the bourse.

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The slumps followed weak **Chinese**, German and Japanese data yesterday, prompting renewed fears for the health of the global economy.

Brent crude **oil** tumbled 3.6 per cent to a five year low of $US65.60 a barrel a barrel, spot **iron** dropped 2.8 per cent to $US69.80 a tonne yesterday, Dalian **iron ore** futures slumped 3 per cent today and **copper** fell 0.8 per cent to $US6390 a tonne.

In its December quarterly review the Bank of international Settlements said flip-flopping from risk-on to risk-off sentiment in financial markets suggests that fragility underlies the current buoyant mood .

The Australian dollar fell US0.4¢ to a fresh four-year low of US82.40¢ a tonne as the domestic yield outlook weakened and US short-term yields firmed relative to long **bonds** as US Federal Reserve officials continued to prepare markets for rate hikes next year.

Government 10-year yields fell 6.3 points to 3.022 per cent after US two-years eased 3 points from three-year highs to 0.64 per cent and the NAB business confidence index fell.

Royal Bank of Scotland currency strategist Greg Gibbs said reports suggested the Fed would change the language in its monetary policy statement next week by removing the statement rates would remain low for a considerable time .

It will **firm** expectations of a hike around mid-2015, with some increased risk of it occurring in Q2, he said.

However, US 10-years dropped four points to 2.28 per cent suggesting conservative investors either don't believe rates will rise, or if they do it won't be for long.

The Shanghai composite index remained on a rip higher as it paused for breath with a one per cent drop before soaring 1.3 per cent to a fresh three-year high despite the People's Bank of **China** tightening collateral lending rules to curb speculation.

In Tokyo the Nikkei index was down 0.9 per cent after the downward revision in September quarter GDP to minus 1.9 per cent from minus 1.6 per cent underscored the dire situation in the world's third biggest economy.

OptionsXpress market analyst Ben Le Brun said the fall in the **oil** price was the main factor dragging back the Australian market on Tuesday.

It (the lower **oil** price) should ultimately be a stimulus for the world economy, but it's really undermining confidence, he said.

Mr Le Brun said Chinese economic data later in the week may be a catalyst for a change in sentiment.

Mr Le Brun said the market in Shanghai was trading higher, which suggested that Chinese investors were seeing something that no one in the resources sector in Australia was seeing, such as the potential for the Chinese government to increase further economic stimulus measures.

Energy giant Santos slumped to its lowest level in 10 years following the slide in oil prices, plus a credit rating downgrade from Standard and Poor's. Santos shares were down 60 cents, or 7.23 per cent, at $7.70.

Woodside Petroleum lost $1.01 at $34.38, and Oil Search slid 56 cents to $7.29. Global miner BHP Billiton descended $1.22 to $28.88, Rio Tinto dropped $1.63 to $55.50, and Fortescue retreated 11 cents to $2.55.

Among the big banks, ANZ weakened 52 cents to $31.88, National Australia Bank sagged 37 cents to $32.60, Westpac surrendered 29 cents at $33.06, and Commonwealth Bank was off 37 cents weaker at $82.02.

Health insurer Medibank Private was three cents higher at $2.22.

The broader All Ordinaries index was down 90.6 points, or 1.69 per cent, at 5258.3 points.

The December share price index futures contract was 106 points lower at 5284 points, with 31,374 contracts traded.

National turnover was 1.42 billion securities worth $5.03 billion.

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