

Asian quake hits European shares

Shares in Europe's leading reinsurers and travel firms have fallen as the scale of the damage wrought by tsunamis across south Asia has become apparent.

More than 23,000 people have been killed following a massive underwater earthquake and many of the worst hit areas are popular tourist destinations. Reinsurance firms such as Swiss Re and Munich Re lost value as investors worried about rebuilding costs. But the disaster has little impact on stock markets in the US and Asia.

Currencies including the Thai baht and Indonesian rupiah weakened as analysts warned that economic growth may slow. "It came at the worst possible time," said Hans Goetti, a Singapore-based fund manager. "The impact on the tourist industry is pretty devastating, especially in Thailand." Travel-related shares dropped in Europe, with companies such as Germany's TUI and Lufthansa and France's Club Mediterranee sliding. Insurers and reinsurance firms were also under pressure in Europe.

Shares in Munich Re and Swiss Re - the world's two biggest reinsurers - both fell 1.7% as the market speculated about the cost of rebuilding in Asia. Zurich Financial, Allianz and Axa also suffered a decline in value.

However, their losses were much smaller, reflecting the market's view that reinsurers were likely to pick up the bulk of the costs. Worries about the size of insurance liabilities dragged European shares down, although the impact was exacerbated by light post-Christmas trading. Germany's benchmark Dax index closed the day 16.29 points lower at 3.817.69 while France's Cac index of leading shares fell 5.07 points to 3.817.69. Investors pointed out, however, that declines probably

would be industry specific, with the travel and insurance firms hit hardest. "It's still too early for concrete damage figures," Swiss Re's spokesman Floiran Woest told Associated Press. "That also has to do with the fact that the damage is very widely spread geographically."

The unfolding scale of the disaster in south Asia had little immediate impact on US shares, however. The Dow Jones index had risen 20.54 points, or 0.2%, to 10,847.66 by late morning as analysts were cheered by more encouraging reports from retailers about post-Christmas sales. In Asian markets, adjustments were made quickly to account for lower earnings and the cost of repairs. Thai Airways shed almost 4%. The country relies on tourism for about 6% of its total economy. Singapore Airlines dropped 2.6%. About 5% of Singapore's annual gross domestic product (GDP) comes from tourism. Malaysia's budget airline, AirAsia fell 2.9%. Resort operator Tanco Holdings slumped 5%.

Travel companies also took a hit, with Japan's Kinki Nippon sliding 1.5% and HIS dropping 3.3%. However, the overall impact on Asia's largest stock market, Japan's Nikkei, was slight. Shares fell just 0.03%. Concerns about the strength of economic growth going forward weighed on the currency markets. The Indonesian rupiah lost as much as 0.6% against the US dollar, before bouncing back slightly to trade at 9,300. The Thai baht lost 0.3% against the US currency, trading at 39.10. In India, where more than 2,000 people are thought to have died, the rupee shed 0.1% against the dollar. Analysts said that it was difficult to predict the total cost of the disaster and warned that share prices and currencies would come under increasing pressure as the bills mounted.