

UK Shares Down Amid Bailout Plan

September 23, 2008

The FTSE 100 index of leading UK shares has fallen amid uncertainty over the US government's \$700bn rescue plan for the troubled financial sector.

The index closed down 100.1 points, or almost 2%, at 5136.1. Asian markets also dropped 2% following big losses in the US on Monday.

There are fears that more money could be needed for the bailout plan or that it could be delayed because of opposition from some Democrats.

They have argued for provisions to be added to the proposed package.

These include limiting pay for executives of the troubled companies in need of the bailout.

Investors piled into gold and oil as they assessed whether the US Congress would endorse President Bush's dramatic intervention to buy up bad mortgage debt from the banks.

Meanwhile, the cost of crude has eased back to around \$107 a barrel following Monday's biggest ever one-day gain of \$16 to \$120.

But as oil prices remained elevated, fuel dependent stocks continued to suffer on London's Footsie.

Merrill Lynch Chief North American Economist David Rosenberg said Mr Bush's rescue package would only provide some relief from the turmoil.

"We do not think it seriously changes the endgame -- the US economy is in recession and likely to remain so," he said.

"At best (the rescue package) merely removes what was looking like the worst case scenario: the entire collapse of the global financial system and a deep global depression."

There was massive turbulence on the global markets last week after the collapse of US investment bank Lehman Brothers and the government rescue of insurance giant AIG.

Also, the Bank of England is injecting another £22bn into the UK financial markets to try to free up liquidity between banks amid the credit crunch.

Source: Bloomberg