Commodities Decline on Concern Europe’s Debt Crisis Will Spread

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Nov. 17 (Bloomberg) -- Commodities dropped the most since September on concern that Europe’s debt crisis is spreading, hurting the global economy and eroding demand for raw materials.

The Standard & Poor’s GSCI Index of 24 commodities fell 2 percent to 659.43 at 12:16 p.m. in New York, heading for the biggest loss since Sept. 30. Twenty prices tracked by the index declined, led by silver, energy and cotton. European and U.S. equity markets fell, and the cost of insuring against default on Spanish and French sovereign debt rose to records.

“The situation in the euro zone has deteriorated amid renewed worries about Italy and Spain’s fragile economies,” Myrto Sokou, a London-based analyst at Sucden Financial Ltd. said in a report. “The European economy looks more chaotic, with serious debt issues that hurt investors’ sentiment and limit risk appetite.”

German Chancellor Angela Merkel rejected French calls to rein in debt problems by issuing joint euro-area bonds or using the European Central Bank as a lender of last resort. The creditworthiness of U.S. banks may worsen unless the crisis is “resolved in a timely and orderly manner,” Fitch Ratings said yesterday. Failure to tame the widening financial woes may harm the world economy, Bank of England Governor Mervyn King said.

Oil futures for December delivery fell from a five-month high on the New York Mercantile Exchange, down 2.1 percent at $100.39 a barrel, the biggest decline in three weeks.

Copper futures for March delivery dropped 2.2 percent to $3.4275 a pound on the Comex in New York. A close at that price would mark the biggest loss for a most-active contract since Nov. 9.

Second Recession

“Worries about a second recession are weighing on the market,” Tom Winmill, the chief executive officer of Winmill & Co., which manages $250 million in assets, said in a telephone interview from New York. “Oil will be the most vulnerable in this scenario, and copper is also very vulnerable.”

Gold futures for December delivery fell the most in a month on the Comex, down 2.2 percent at $1,734.70 an ounce. Silver futures for December delivery dropped 4.5 percent to $32.295 an ounce.

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