Global stocks, euro sink on weak earnings, Spain worries

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Global shares slid more than 1 percent and the euro fell on Tuesday as a slew of weak U.S. corporate earnings results and credit rating downgrades of several indebted regions of Spain triggered a new round of fears over the global economy.

The Dow Jones industrial average posted its biggest point drop since June, shedding about 220 points, as large multinational companies including Dupont <DD.N> and United Technologies <UTX.N> reported disappointing profits and earnings outlook.

The euro slid to its lowest level against the U.S. dollar since October 16, at $1.2950, and last traded at $1.2964, down 0.7 percent. The euro also dropped against the yen as Spain's borrowing costs spiked after rating agency Moody's downgraded five of the country's regions, including economically important but deeply indebted Catalonia.

The decline in U.S. stock prices was broad with all 10 of the S&P 500's sectors down. Dupont shares fell 8.7 percent to $45.48 after the chemical maker slashed its earnings forecast and reported disappointing quarterly results as demand for its pain and solar products slips around the world.

"Clearly, U.S. companies are feeling the pain as a result of the global slowdown," said **Bernard Baumohl, managing director and chief global economist at the Economic Outlook Group** in Princeton, New Jersey.

The Dow Jones industrial average <.DJI> was down 214.68 points, or 1.61 percent, at 13,131.21. The Standard & Poor's 500 Index <.SPX> was down 17.76 points, or 1.24 percent, at 1,416.09. The Nasdaq Composite Index <.IXIC> was down 14.85 points, or 0.49 percent, at 3,002.11.

Apple Inc <AAPL.O> took the wraps off an 8-inch tablet on Tuesday in its biggest product move since debuting the iPad two years ago. Its 7.9 inch "iPad mini" marks Apple's first foray into the smaller-tablet segment. Apple's shares were down about 0.7 percent at $629.59 in a day of very volatile trade.

Global shares <.MIWD00000PUS> were down 1.5 percent.

In Europe the FTSEurofirst 300 index <.FTEU3> ended down 1.7 percent at 1,088.71 points, its lowest closing level since September 5.

The euro zone's blue-chip Euro STOXX 50 index <.STOXX50E> fell 2.1 percent to 2,477.92 points, while the Euro STOXX 50 implied volatility index <.V2TX> rose 10 percent, highlighting investors' concerns over the market outlook.

Tuesday was the worst day for euro zone stocks and the biggest rise for implied volatility since September 26, when violent anti-austerity protests hit Spain and Greece.

On Wall Street, the Dow and the S&P 500 indexes have given up all of their gains since the European Central Bank's Sept 6. announcement of a plan to buy bonds of troubled euro-zone nations.

U.S. EARNINGS DISAPPOINT

Of the 145 S&P 500 <.SPX> companies that have reported results so far, 63 percent have missed analysts' top-line expectations for revenue. That stands in contrast to the usual pattern, with 62 percent of companies traditionally exceeding estimates since 1994, and 55 percent beating over the past four quarters, on average.

Overall earnings for S&P 500 stock index companies are expected to fall 2.5 percent in the third quarter from a year ago.

On Tuesday, 33 S&P 500 companies are due to report earnings, including Netflix <NFLX.O> and Harley-Davidson <HOG.N>. Facebook Inc <FB.O> is also scheduled to report after the bell.

SPAIN'S ECONOMY CONTRACTS AGAIN

In other European news, the Spanish economy, the fourth largest in the euro zone, contracted in the third quarter. according to the country's central bank.

The euro plunged versus the yen and hit a one-week low versus the dollar.

Financial markets are still waiting for a fiscal bailout request from Spain to trigger the European Central Bank's new bond-buying program, which many believe would draw a line under any threat of default from the euro zone's fourth-largest economy.

Yves Mersch, who has been nominated to serve on the ECB's Executive Board, told an audience in Berlin that while there was no limit to the amount of bonds the ECB could buy, there was a time limit.

Shortly before he spoke, Spain sold short-term debt, with yields rising slightly on three-month paper and falling on six-month paper.

Meanwhile, data showed business morale in France's manufacturing sector slumped to its lowest level in over two years.

The data fueled fears that France, the euro zone's second largest economy, may be on the brink of a recession, according to Joe Manimbo, senior market analyst, Western Union Business Solutions in Washington D.C.

"But despite the latest flare-up in worries about debt and growth in the euro region, the single currency may see its downside somewhat cushioned by expectations Spain may be weeks away from requesting an international bailout, allowing the country to tap the ECB's bond buying program to bring meaningful debt relief," he said.

BERNANKE ERA MAY BE CLOSING

In the United State, the Federal Reserve's policy committee began a two-day meeting on Tuesday.

The Federal Open Market Committee is likely to hold off from taking fresh steps at the meeting, opting to review the impact of the significant action it took last month and keep a low profile in its last gathering before the November 6 general election.

The New York Times reported Fed Chairman Ben Bernanke has told close friends he probably will not stand for a third term at the central bank even if President Barack Obama wins the November 6 election.

Oil prices fell below $108 a barrel on Tuesday as investors brushed off Iran's threat to halt exports if the West tightens sanctions and focused on a fragile world economy and its impact on oil demand growth.

Brent crude for December delivery was down $1.72 to $107.72 per barrel. U.S. December crude was down $2.60 at $86.05 a barrel.

The benchmark 10-year U.S. Treasury note was up 16/32, with the yield at 1.7572 percent.

(Reuters: Additional reporting by Ryan Vlastelica; editing by Clive McKeef and Leslie Adler))