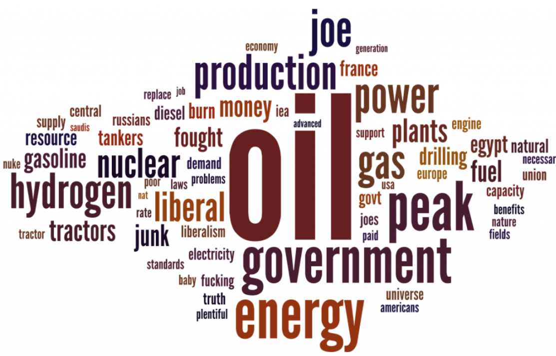
Global stocks weighed by oil price fears, Japanese quake ahead of US earnings season

LONDON — High oil prices and another strong earthquake in Japan kept a lid on stocks Monday despite optimism over the upcoming U.S. corporate earnings results season.

Though investors will this week monitor Libya's conflict and Japan's struggle to recover from last month's devastating natural disasters, they are slowly turning their attention to corporate earnings.



As usual, Alcoa Aluminum kicks off the earnings season late Monday, and following a strong run of outperforming market expectations, hopes are high. Other big corporations due to report this week include JP Morgan Chase & Co., Bank of America Corp. and Google Inc.

Optimism over the coming earnings statements drove U.S. stocks to post solid gains at the open, which helped European markets pare earlier losses.

The FTSE 100 index of leading British shares was flat by the close at 6,053.44 while Germany's DAX fell 0.2 percent to 7,204.86. The CAC-40 in France was 0.6 percent lower at 4,038.70.

In the U.S., the Dow Jones industrial was up 0.4 percent at 12,430.46, while the broader Standard & Poor's 500 index rose around 0.2 percent to 1,330.80.

The U.S. gains are fairly muted, though, reflecting concerns about the economic impact of high oil prices. Though the benchmark rate as traded in New York was down 90 cents at $111.89 a barrel, oil prices are not far off 30-month highs and are already having an impact on the global economy.

One consequence of high oil prices is a reassessment of when interest rates will be lifted — last week, the European central bank became the first major central bank to hike borrowing costs, partly because high energy costs have pushed up inflation to uncomfortable levels.

Sentiment was further weighed down by another strong aftershock in Japan, on the one month anniversary of the earthquake and tsunami that devastated the northeastern coast and triggered a still unresolved nuclear crisis. The aftershock struck after Asian markets had closed.

"Another earthquake in Japan this morning is unnerving markets...it was a reminder how unstable the situation in Japan is," said Jennifer Lee, an analyst at BMO Capital Markets.

As well as monitoring corporate news, investors will have a raft of economic data to assess this week, with inflation figures set to take center stage in the U.S., Britain, the eurozone and China. They are expected to show that price pressures remain elevated, partly because energy and commodity costs continue to rise for a variety of reasons, not least the battle for control of Libya, an OPEC member.

“Inflation was a key theme last week with respect to central bank rate decisions and it will continue to remain a key theme this week,” said Michael Hewson, market analyst at CMC Markets.

Other economic data this week includes U.S. retail sales and industrial production figures and China’s first estimate for economic growth in the first quarter of the year.

Earlier in Asia, Japan’s Nikkei 225 stock average dipped 0.5 percent to close at 9,719.70, while South Korea’s Kospi edged down 0.3 percent to end at 2,122.39. Hong Kong’s Hang Seng index slid 0.4 percent to finish at 24,303.07. Benchmarks in mainland China, Taiwan, Singapore and India also fell.

Chinese stocks had been weighed down earlier by the news that China posted a trade deficit in the first three months of the year, its first since 2004. Higher commodity and energy costs as well as the country’s insatiable demand for raw materials were the main reasons behind the deficit.

Trading in the currency markets was lackluster. The euro was flat at $1.4463, not far off last week’s 15-month high of $1.4489, while the dollar was 0.5 percent lower at 84.60 yen.

Europe’s single currency has been in demand over the past few weeks as the European Central Bank sounded a far more hawkish tone following above-target inflation figures. Last week, the ECB raised its main interest rate by a quarter of a percentage point to 1.25 percent. The markets expect further rate hikes this year.

Those expectations support the euro only if other central banks don’t do the same. So far, the U.S. Federal Reserve has given few indications that it’s about to follow the ECB anytime soon, while the Bank of Japan is keeping policy loose to help the country in the wake of the disasters.