World markets lower on Japan nuclear worries

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Stocks fell Tuesday after Japan said the crisis at a stricken nuclear plant is as severe as the 1986 Chernobyl disaster.

Japan's nuclear safety agency raised the severity of the Fukushima Dai-ichi nuclear plant incident by two notches to level 7, the highest on the scale and the same rating as the Chernobyl incident. The move, along with continuing earthquake aftershocks which have interfered with recovery work, sent ripples of unease through markets.

"News that the Japanese government has escalated the rating of the Fukushima nuclear threat to 7 injected a sombre tone into the markets," said Jane Foley, an analyst at Rabobank International.

Investors are also concerned that the global economic recovery is slowing down amid sky-high oil prices, as illustrated by economic figures out of Britain and Germany.

The International Monetary Fund also downgraded its 2011 growth forecast for the U.S., Japan and Britain - three of the world's top seven industrial countries - largely because of higher oil prices.

Worse than expected earnings from Alcoa Inc., which kicked off the first quarter corporate reporting season in the U.S., also weighed on sentiment ahead of further releases from the likes of JP Morgan Chase & Co and Google Inc.

"All told, equity traders are starting to look rather more bearish," said Ben Critchley, a sales trader at IG Index.

In Europe, the FTSE 100 index of leading British shares was down 0.8 percent at 6,004 while Germany's DAX fell 1 percent to 7,135. The CAC-40 in France was 1.1 percent lower at 3,996.

Wall Street was poised for a lower opening, too, following a timid performance on Monday - Dow futures were down 0.4 percent at 12,274 while the broader Standard & Poor's 500 futures fell a similar amount to 1,314.

In the currency markets, the British pound was among the biggest movers after figures showed U.K. inflation in March unexpectedly fell, easing pressure on the Bank of England to raise interest rates as soon as next month.

Though the inflation rate of 4 percent is still double the Bank's target, the majority of rate-setters have so far refrained from tightening monetary policy, partly because most of the price pressures are coming from energy costs and tax changes, which the central bank can do little about.

There are also concerns that tighter monetary policy will bring the British economy to a grinding halt. Figures earlier from the British Retail Consortium showed retail sales in March fell by their biggest amount in at least 16 years.

By late morning London time, the pound was trading 0.5 percent lower on the day at $1.6260 while the euro was 0.8 percent firmer at 0.89 pound.

Elsewhere in the currency markets, the euro was trading 0.3 percent higher at $1.4471 while the dollar fell 0.2 percent to 84.35 yen.

Earlier in Asia, Tokyo's Nikkei 225 index closed down 1.7 percent at 9,555.26, on worries that prolonged power shortages would crimp output across regional supply chains and as exporters fell on a strengthening yen.

Taiwan, a key trading partner to Japan, saw its benchmark TAIEX slide 1.7 percent, while South Korea's Kospi tumbled 1.6 percent.

Elsewhere, Hong Kong's Hang Seng index fell 1.4 percent and Australia's S&P/ASX 200 slipped 1.5 percent.

In the oil markets, global growth concerns are also beginning to be a concern, though the tensions in the Middle East, in particular the fighting in Libya, remain the main driver of trading. Libya accounts for a little under 2 percent of global daily crude production.

Benchmark crude for May delivery was up 5 cents at $109.94 in electronic trading on the New York Mercantile Exchange. On Monday, the benchmark rate fell nearly $3 a barrel amid hopes that some sort of brokered peace may emerge.