

\$3 TRILLION of shares wiped in a WEEK for the world economy.

It was at that time three years ago that the biggest City bankers had to call on the government for help and the global economy was gripped in the middle of its worst recession since the 1930s.

London has seen hundreds of billions of pounds wiped off in share prices.



Depressing prospects: Traders on the floor of the New York Stock Exchange monitor the changes in figures

In the US, Wall Street was experiencing losses of \$2tn or more after a fortnight of frantic selling.

The problems started at the start of the credit crunch four years ago - the unofficial anniversary is this coming Thursday August 9, and it has never gone away despite billions of taxpayers money being channelled into repairing the damage.

According to The Guardian, Louise Cooper, an analyst at BGC Partners said City

traders were starting to 'feel the fear'.

'The banking industry is yet again facing a crises - we are not yet at the post-Lehman days, but the system is creaking loudly.

'The horrible reality is that those leaders in charge of the economy have no answers.'



Wiped out: Traders on the floor of the stock exchange in Frankfurt on Friday as world stocks sank for an eight straight session, wiping \$2trillion off their value on the week

On Friday morning in Washington DC, the official figures for the US economy showed it hardly grew in the second quarter of 2011. The country's growth figures lead to a dark week of chaos in the world's financial markets.

They were, according to Nick Parsons, head of strategy at National Australia Bank, a 'game changer', because policymakers were able to dismiss poor data as a mere soft patch for the economy, until last Friday.

'With no momentum in the economy, a recession much deeper than thought and a recovery, which hadn't even regained the lost ground after three and a half years, data

disappointments can no longer just be shrugged off.
'They're the new reality and the new reality sucks', he said.



Worst day: A man talks on the phone as he watches an electronic display at Brazil's stock exchange in Sao Paolo

Cyprus was the immediate cause for concern with it being one of the smallest members of the euro club, which appeared to be the next country likely to need financial help.

The first day of each month sees the release of reports on manufacturing from around the world.



Postponed: Spanish Prime Minister José Luis Zapatero has delayed his holiday plans to deal with the crisis

In the UK, China, the euro zone and the US faced the same issue - activity was slowing and in some cases to the point where industrial output was stalling.

Interest rates on Spanish and Italian bonds on Tuesday rose just above the six per cent considered critical in the financial markets to their highest since the creation of the euro.

Spain's prime minister, José Luis Zapatero, said he was postponing his holiday plans, while policymakers in Italy held an emergency meeting.

In Britain, yields on benchmark 10-year gilts dropped to their lowest since 1946.

The Treasury said it was a sign of confidence in George Osborne's decision to take a lead on reducing the deficit.



Confident: The Treasury has said defended George Osborne's plan to take lead of dealing with the deficit

However, Jonathan Portes, director of the National Institute for Economic and Social Research said low gilt yields were a sign of economic weakness, as reported in The Guardian.

In the UK the services sector barometer, which accounts for 75 per cent of national output, showed an increase last month.

But with Wall Street plummeting overnight the FTSE 100 dropped 133 points.

The European Bank appeared to fail to respond to the situation.

José Manuel Barroso, President of the European Commission criticised the pace at which European leaders were responding to the crisis.

The Swiss and Japanese banks intervened as oil prices dropped by five per cent.

Gold rose to record levels before falling back and Washington started the morning yesterday to some brief respite with better jobs figures however the market graphs soon spiraled downwards again.

The forecast in finance is not looking bright.

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