29Jun10 -GLOBAL MARKETS-Stocks and euro sink on growth, refunding fears

* Euro battered as refinancing crunch nears on Thursday
* U.S. 2-year note's yield hits record low on risk aversion
* Gold advances as safe-haven buying supports gains
* Oil slides about 3 percent on global growth concerns

By Herbert Lash

NEW YORK, June 29 (Reuters) - Global stocks, commodities and the euro tumbled on Tuesday over concerns about economic growth and fears that some banks in Europe may be strained by a deadline this week to repay more than half a trillion dollars.

The appetite for risk faded after a report showed a sharp drop in U.S. consumer confidence, which pushed up government debt prices and helped lift other safe havens, such as gold.

The Standard & Poor's 500 Index slid to its lowest level in eight months in a sell-off that analysts said could ignite further declines.

The euro slid to an all-time low against the Swiss franc and an 8 1/2-year low against the yen.

The yield on the two-year U.S. Treasury note <US2YT=RR> fell to the lowest on record, while the yield on the benchmark 10-year Treasury <US10YT=RR> slid below 3 percent for the first time since April 2009, and interbank euro funding costs hit an eight-month high. For details see: [ID:nN29160217]

A sharp downward revision to China's leading indicators index and weakness in Japanese exports and unemployment added to worries about the global recovery. [ID:nN29138077]

Stocks in the economically sensitive sectors such as materials, industrials and financials were among the hardest hit.

"The market is extremely sensitive to the fundamental data that we're seeing right now," said Gareth Sylvester, senior currency strategist at HiFX in San Francisco.

"Any data that would suggest a slowdown could be more prolonged, or the lack of evidence to support the recovery sequence, is going to create some nervousness," he said.

MSCI's all-country world index <.MIWD00000PUS> lost 3.1 percent and its emerging markets index <.MSCIEF> slid 2.8 percent.

On Wall Street, the Dow Jones industrial average <.DJI> tumbled 268.22 points, or 2.65 percent, to finish at 9,870.30. The Standard & Poor's 500 Index <.SPX> fell 33.33 points, or 3.10 percent, to end at 1,041.24. The Nasdaq Composite Index <.IXIC> lost 85.47 points, or 3.85 percent, to close at 2,135.18.

LIQUIDITY WORRIES

Interbank euro funding costs rose to an eight-month high and the price of German Bunds hit three-week highs, buoyed by the slide in U.S. Treasury yields. [ID:nLDE65S1N9] [ID:nLDE65S1KM]

Fears of a potential liquidity shortfall of more than 100 billion euros in the financial system stoked the aversion to risk as European banks were poised to repay 442 billion euros ($545.5 billion) in emergency loans on Thursday.

European shares hit a three-week closing low, breaking a key technical support level. The FTSEurofirst 300 <.FTEU3> index of top European shares dropped 3 percent to end at 995.82 points, the lowest close since June 9.

The Euro STOXX 50 <.STOXX50E> fell below a retracement level from its April high and May low, signaling more losses.

"It is a return to risk aversion," said Eugen Weinberg, a commodity analyst at Commerzbank in Frankfurt.

Traders cited significant U.S. dollar short covering overnight, further weighing on the euro.

The euro <EUR=> was down 0.72 percent at $1.2188, while the dollar was up against a basket of major currencies, with the U.S. Dollar Index <.DXY> up 0.57 percent at 86.137.

The risk premium on southern European government bonds over benchmark German bunds widened and the cost of insuring their debt against default rose. [ID:nLDE65S0PT]

Banks were among the heaviest decliners as they prepare to pay back the ECB money that was borrowed a year ago at rock bottom rates. [ID:nLDE65S15K]

Even though single-family U.S. home prices unexpectedly climbed in April from the previous month, signs of a sustained recovery have yet to emerge, price indexes from Standard & Poor's/Case Shiller showed.

The S&P composite index of prices in 20 U.S. metropolitan areas rose 0.4 percent on a seasonally adjusted basis after a downwardly revised 0.2 percent drop in March, compared with a 0.1 percent decline forecast in a Reuters survey.

Oil prices fell nearly 3 percent.

U.S. crude for August <CLc1> fell $2.31, or 2.95 percent, to settle at $75.94 a barrel, having tumbled as low as $75.21.

ICE Brent crude <LCOc1> fell $2.15 to settle at $75.44.

Benchmark 10-year notes <US10YT=RR> climbed 20/32 in price to yield 2.95 percent.

Bullion prices rebounded after falling toward $1,220 an ounce in early trade, when investors dumped the metal along with other commodities. [ID:nLDE65S0RF]

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