Economics: Asia Pac Markets jump off cliff

The small gains or losses in Asia Pac markets yesterday (see Asia Pac markets respond, others don't) were all for nothing as markets from Singapore to Sydney follow, lemming-like, New York's losses after the Asia Pac close. Are intervention and prayer the only remaining options?

Indonesia's market is not collapsing - but that might be because it is closed. In morning trading, Tokyo's principle index the Nikkei is already 11% off its opening and there is no sign of the fall slowing.

The reason is simple: US stocks continued their crash, each day seemingly bursting through what many had hoped in the morning would be a floor. Last night's NYSE figure of 5809 burst the psychological 6,000 barrier and kept on falling. It was the third "stop point" this month with 7,500 and then 7,000 being tossed aside with ease as the market has already fallen more than 20% in the past seven days of trading.

But in Tokyo, there's another reason - and one that will no doubt be the cause of further contagion: this morning the market was surprised by news that Yamato, a mid sized insurer, is the first Japanese financial sector casualty. Until now, the Japanese financial sector has thought itself relatively immune, having undertaken a massive restructuring exercise of the past decade.

If Japan's financial sector is in trouble, then the whole Asia Pac - including Australia's relatively stable sector - will be exposed to significant risk.

Morning trades in Sydney ended 7% down and in Hong Kong 8% down.

That translates into markets plunging where now only intervention to suspend markets and prayer seem the only viable options.