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Press TV

Euro slides to new four-year low

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There seems to be no end in sight to the financial woes in Europe, as the euro slumps to a new four-year low against the US dollar in currency markets.

The eurozone's single currency dropped more than 1.7% in New York trade to stand at a rate of USD 1.216 per euro on Tuesday.

This is euro's lowest exchange rate since April 2006.

The single currency has also fallen by more than 2% against Japan's yen.

The decline came after Germany slapped a ban on naked short-selling of shares.

Naked short-selling occurs when investors sell a stock they don't own and haven't even borrowed in the market, only to buy it back later when the stock falls.

This usually earns the short-sellers a good profit.

Berlin's ban will apply to the country's top 10 financial institutions, and aims to stamp down market volatility in the eurozone.

Analysts say the new euro drop is also triggered by concerns that severe fiscal austerity in the European Union (EU) will crush growth.

The EU and the International Monetary Fund (IMF) have recently agreed on an almost one-

trillion-dollar rescue package in an attempt to prop up European economies struggling with large debts.

They have also been seeking tougher belt-tightening measures from more fragile European economies such as Spain, Portugal and Italy to prevent them from sliding into a debt crisis similar to Greece.

The move, however, has so far failed to reassure investors.

This has raised fears that the Greece debt crisis could hit the world's financial system in the same way the collapse of Lehman Brothers did two years ago.