The deepening toll from the global financial crisis could trigger the failure of a large US bank within months, a respected former chief economist of the International Monetary Fund claimed today, fueling another battering for banking shares.

Professor Kenneth Rogoff, a leading academic economist, said there was yet worse news to come from the worldwide credit crunch and financial turmoil, particularly in the United States, and that a high-profile casualty among American banks was highly likely.

?The US is not out of the woods. I think the financial crisis is at the halfway point, perhaps. I would even go further to say the worst is to come,? Prof Rogoff said at a conference in Singapore.

In an ominous warning, he added: ?We?re not just going to see mid-sized banks go under in the next few months, we?re going to see a whopper, we?re going to see a big one ? one of the big investment banks or big banks,? he said.

Rising anxieties over ?worse to come? in the credit crisis sent shares tumbling in Europe and Asia.

In London, the FTSE 100 index extended opening losses as widespread fears over the financial sector's woes led to another battering for stocks. The FTSE closed 129.8 points, or 2.38 per cent, lower at 5,320.4, pushing it into bear market territory ? a level 20 per cent below the October 12, 2007 peak of 6730.71 ? for the sixth time in two months. Germany's Dax shed 2.4%, while the CAC 40 in Paris lost 2.5%.

Professor Rogoff, who was chief economist at the IMF from 2001 to 2004, predicted that the crisis would foster a new wave of consolidation in the US financial sector before it was over, with mergers between large institutions.

He also suggested that Fannie Mae and Freddie Mac, the struggling US secondary mortgage lending giants, were likely to cease to exist in their present form within a few years.

His prediction over the fate of Fannie and Freddie came after investors dumped the two groups? shares on Monday after reports suggested that the US Treasury may have no choice but to effectively nationalise them.

The professor also sounded a warning over rising US inflation, which rose last month to its highest since 1991, and criticised the Federal Reserve for having cut American interest rates too drastically. ?Cutting interest rates is going to lead to a lot of inflation in the next few years in the United States,? he said.

As investors' edginess over the threat of further financial turbulence sent equity markets into a further spin, bank shares were hit hardest. Among the biggest fallers in London trade were HBOS, down 6 per cent, Royal Bank of Scotland, whose shares plunged by 5 per cent, while

HSBC fell 3.6 per cent. In continental Europe, Spain's Banco Santander was off 2.35 per cent, and BNP Paribas lost 3.8 per cent.

Persistent worries over the rapidly deteriorating economic outlook in the UK also saw sterling succumb to fresh losses. The pound lost almost a cent against the dollar, dropping to $1.881, above the near-two year lows plumbed on Friday.

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