

US

Global market sell-off spreads to Europe

Wall Street set for steady start after soft inflation data helps soothe nerves

Michael Hunter in London and Emma Dunkley in Hong Kong 26 MINUTES AGO

A sharp Wall Street sell-off has sent tremors through global equity markets, pulling down Asian and European stocks on Thursday as worries over the US-China trade war and the end of years of cheap money darken investor sentiment.

Technology shares, which led the selling during Wednesday's New York trading day, were also hit hard internationally, with the Stoxx technology index down 1.7 per cent after falling nearly 3 per cent earlier in the day.

Analysts and traders said the drops were a reaction to rising bond yields following the Fed's rate increase last week and strong US economic data. US President Donald Trump blamed Fed tightening for the sell-off. "The Fed is making a mistake. They're so tight. I think the Fed has gone crazy," he said on Wednesday.

US inflation data for September narrowly missed forecasts and helped stock futures up off lows touched before the numbers were released. The data showed a year-on-year rise in core consumer prices of 2.2 per cent, softer than the 2.3 per cent forecast. After the data, Nasdaq Composite futures anticipated a rise of 0.1 per cent, having been down by as much as 0.9 per cent beforehand. The equivalent S&P 500 contract pointed to a fall of 0.1 per cent.

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Wednesday's sell-off on Wall Street was the [biggest fall](#) in US stocks for more than eight months. The Nasdaq Composite dropped by more than 4 per cent — its biggest one-day decline since June 2016 — while the S&P 500 fell 3.3 per cent on its worst day since February. The benchmark index has fallen five days in a row, the longest losing streak of Mr Trump's presidency.

Taiwan's bourse, which is heavy in electronics and semiconductors, closed down 6.3 per cent on its worst day since 2008, while Chinese online powerhouse [Tencent](#) lost almost 7 per cent in Hong Kong. Chipmakers also led the losses in Europe, with Austria's AMS falling 2.3 per cent and [ASML](#) of the Netherlands down nearly 3 per cent.

The Europe-wide Stoxx 600 fell to its lowest level since February 2017, down 1.5 per cent in mid-session trading.

Investors have been willing to pay a premium for tech stocks during much of the recent bull market amid continuing uncertainty over the global economy. But the proven robustness of the US

economy has taken the shine off their shares.

Global stocks slip to an 8-month low

MSCI all-country world stocks index



Source: Refinitiv
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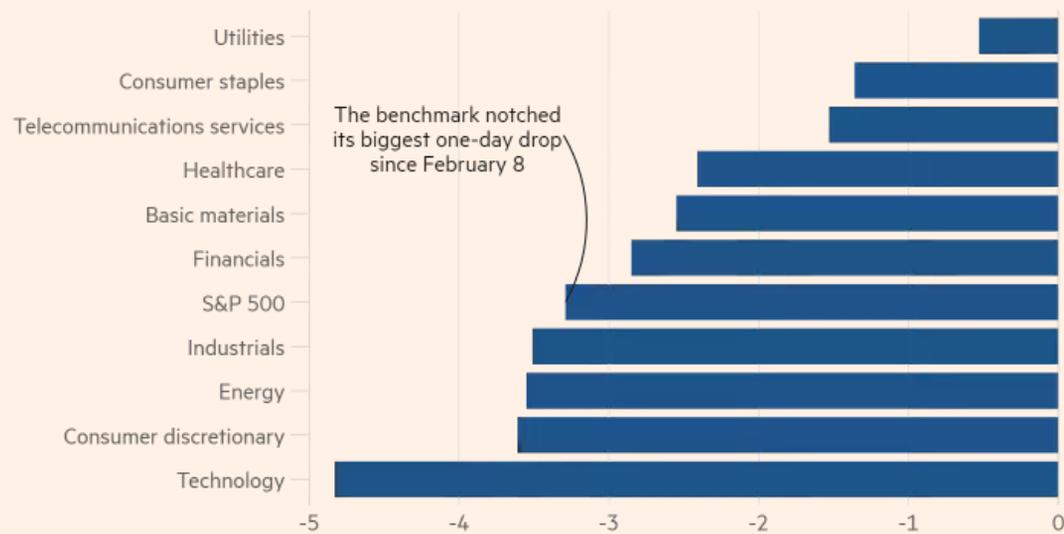
The turnaround in US Treasury yields has also raised the prospect of higher borrowing costs across the corporate world, particularly if the US Federal Reserve is forced to raise rates more quickly than anticipated.

“Rising rates have fuelled concerns that the economy has entered the latter stages of the business cycle and thus growth will slow,” said Mark Haefele, global chief investment officer at UBS Wealth Management.

Japan’s Topix index fell 3.5 per cent, its largest one-day fall since March, with technology companies losing 4 per cent. Companies listed in China slumped by almost 5 per cent, while in Hong Kong, stocks also tumbled 3.5 per cent.

S&P 500 sectors

Performance, %



Sources: Thomson Reuters Datastream, @_PeterWells

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The sell-off was broad, with trade tensions also rattling investors. The Stoxx index tracking carmakers fell 0.6 per cent and the index following miners was down more than 1 per cent, although both stayed off their day-lows in afternoon trade. In China, brokerages and property developers suffered the steepest falls.



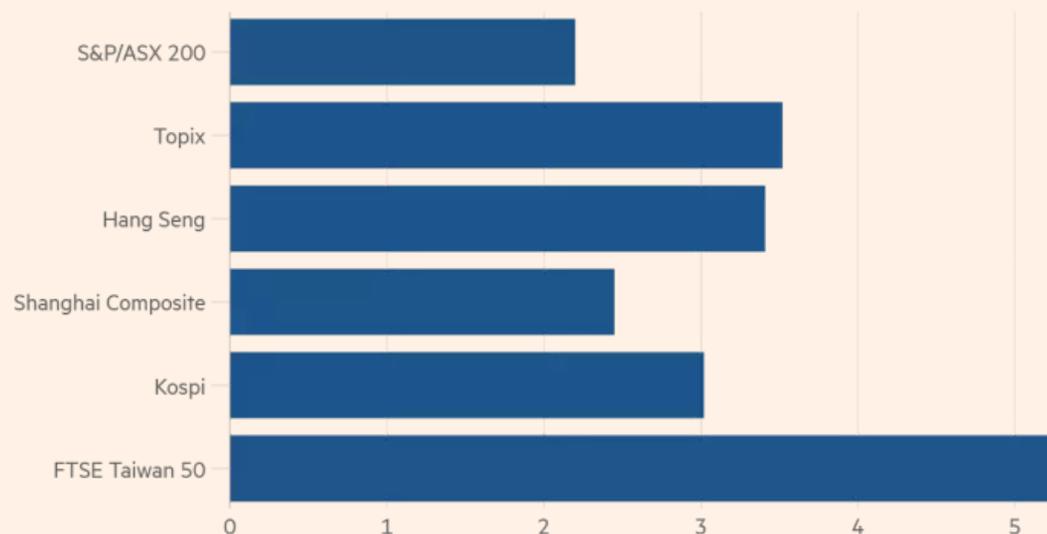
Markets data delayed at least 15 minutes
Source: Thomson Reuters

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Investors bought US Treasuries during the move away from risk, sending the yield on the benchmark 10-year US Treasuries down 6 basis points to 3.1686 per cent. However, analysts said this month's spike in US Treasury yields has called into question the high valuations put on tech stocks during the bull market that began in 2009.

Asia stocks tumble in wake of Wall Street sell-off

% fall



Source: Refinitiv data

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“This is much more interest-rate related than anything going on specifically with tech,” said Ari **Shrage**, chief executive of Aliya Capital. “Interest rates are moving higher, so stocks that are the most expensive typically are the ones that roll over.”

Rising interest rates can also hit shares as they increase the debt burden of companies and can slow economic activity more broadly. Higher rates can also make investment in bonds more attractive relative to equities.

Analysts said recent simultaneous falls in stocks and bond prices also helped disrupt algorithmic trades that are common on Wall Street.

Paras Anand, head of asset management for Asia Pacific at Fidelity International, said the risk-off mentality in particular had an impact on parts of the market “where uncertainty is high”.

Uncertainty looms over global [emerging markets](#), which have suffered this year with fears of contagion from Turkey and Argentina, blighted by their economic troubles and weak currencies.

China has come under pressure from the trade war with the US and its falling currency is nearing Rmb7 against the greenback, a threshold that would mark its weakest level in a decade.

“The events in Turkey and Argentina point to the consequence of the draining of the global economy’s excess liquidity,” said Talib Sheikh, a fund manager at Jupiter Asset Management.

“With the US economy likely to remain buoyant in the near future, emerging markets may experience further pain as the US dollar continues to rise and the cost of repaying dollar-denominated debt rises with it.”

Additional reporting by Hudson Lockett and Alice Woodhouse in Hong Kong, and Nicole Bullock, Joe Rennison and Peter Wells in New York

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