Asian shares tumble as global sell-off spreads from US

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Stock markets across Asia Pacific tumbled on Thursday as a global sell-off in equities and bonds rippled around the globe spurred by worries over the impact of rising interest rates.

Asian markets were unnerved by the biggest fall in US stocks for more than eight months on Wednesday as investors suddenly rushed to sell over-valued stocks, particularly in the frothy technology sector.

The tech-heavy Nasdaq Composite dropped more than 4 per cent, its biggest one-day decline since June 2016, while the S&P 500 fell 3.3 per cent, its worst day since February. The benchmark index has fallen five days in a row - its longest losing streak of Donald Trump's presidency.

Japan's Topix index was down as much as 3.4 per cent shortly after markets opened, putting it on track for its largest one-day fall since March, with technology companies losing more than 3 per cent. Companies listed in China slumped by 3 per cent. In Hong Kong, stocks also tumbled 3 per cent.

Analysts and traders said the moves were a delayed reaction to rises in bond yields after the increase in benchmark interest rates by the US Federal Reserve last week and recent strong US economic data.

This sparked a sell-off in US Treasuries last week, sending yields - which move in the opposite direction of yields - higher above the 3 per cent threshold as investors priced in the prospect of higher than expected rate rises than previously anticipated.

The stockmarket falls triggered a quick reaction from Mr Trump who publicly criticised the US central bank's commitment to raising interest rates. "The Fed is making a mistake. They're so tight. I think Fed has gone crazy," he said on Wednesday.

In Asian trading, US Treasuries firmed amid increased risk aversion with the yield on the benchmark 10-year US Treasuries falling 1 basis point to 3.152 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.

"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."

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

Ben Luk, global macro strategist at State Street Global Markets, said the global stock sell-off was mostly the result of "the market getting more concerned over the Fed's normalisation rate path given the strength of the US economy and pending inflationary pressures".

Paras Anand, head of asset management for Asia Pacific at Fidelity International, said the risk-off mentality has particularly impacted parts of the market "where uncertainty is high".

The sell-off came on the eve of the reporting season for third-quarter earnings. On Friday, JPMorgan, Citigroup and Wells Fargo are set to deliver their results.

"It was much more about people taking profits than a panic," said JJ Kinahan, chief market strategist at TD Ameritrade.

Uncertainty looms over global emerging markets, which have suffered this year amid 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.

"We need to exercise caution outside of the US," said Talib Sheikh, a fund manager at Jupiter Asset Management. "The events in Turkey and Argentina point to the consequence of the draining of the global economy's excess liquidity sparked by the US Federal Reserve raising interest rates and starting quantitative tightening."

"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." –