

Wall Street drops as tech shares sell off, US bonds jump
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Wall Street stocks tumbled yesterday as investors exited technology and biotech shares, extending recent weakness and knocking the Nasdaq down by more than 3%.

The technology-heavy Nasdaq stock index posted its worst single-day drop since 2011, and yields on the benchmark 10-year US Treasury note fell to their lowest since February 27 as investors sought shelter in government debt.

Across the Atlantic, Greece returned to world credit markets for the first time since its financial crisis by selling junk-rated bonds to global investors chasing fat yields.

After a broad rally on Wednesday, US tech shares led the way lower yesterday as investors questioned whether high-flying momentum stocks such as TripAdvisor are overvalued.

"Things are very fragile, and there's a lot of nervousness out there," said Michael James, managing director of equity trading at Wedbush Securities in Los Angeles.

Wall Street dropped even after the Labor Department reported US weekly jobless claims fell to a seven-year low, indicating ongoing recovery in the labor market and the economy.

"The rotation is out of some of the higher-growth, higher-momentum areas of the market, and until we get earnings visibility, we could see protracted weakness," said Eric Teal, chief investment officer at First Citizens Bancshares Inc in Raleigh, North Carolina, which manages US\$3.5 billion (RM11.28 billion).

The Nasdaq index, which is heavily composed of technology company shares, fell 3.1% in its largest daily percentage drop since November 9, 2011.

Wall Street's Dow Jones industrial average fell 266.96 points, or 1.62%, to 16,170.22 and the S&P 500 lost 39 points, or 2%, to 1,833.09.

The S&P technology sector fell 2.5%, while the Nasdaq biotechnology index plunged 5.6%.

US Treasuries rallied on the weakness in stocks. The benchmark 10-year Treasury note rose 17/32 to drop its yield to 2.623%, while the 30-year bond jumped 1-6/32 to yield at 3.501%.

European equity markets, which started the day stronger, fell in tandem with Wall Street.

But Greece staged a triumphant return to the bond market just two years after its default placed it at the center of the euro zone debt crisis.

Greece drew solid demand at its five-year bond sale, which aimed to raise 3 billion euros (RM13.43 billion) and offered a yield of 4.95%, beating Athens's 5% target. It had been expected to draw in US investors including hedge funds.

Greece's deputy prime minister, Evangelos Venizelos, said the sale was at least eight times oversubscribed. Investors looked to the deal as further evidence the euro zone's economic recovery is gathering pace.

"It's not a particularly cheap deal for them, but they are on the right track and it shows the debt crisis has eased significantly," said Commerzbank strategist Michael Leister.

The global MSCI All-Country World index was down nearly 1%. The FTSEurofirst 300 index of leading European companies lost 0.5%, shedding earlier gains.

The Federal Reserve, whose policy-makers on Wednesday released minutes of a recent meeting, yesterday bought US\$3.223 billion of Treasuries maturing June 2018 through December 2018 as part of its economic stimulus program.

Initial US jobless claims declined by 32,000 to a seasonally adjusted 300,000 for the week ended April 5.

"It's collaborating with the other signals we have been seeing, which is the jobs market is slowly improving," said Ryan Sweet, a senior economist at Moody's Analytics in West Chester, Pennsylvania.

The Fed minutes took a toll on the dollar yesterday, sending the greenback to lows against the yen and the Swiss franc not seen in weeks, as investors who had positioned for a gradual tightening in monetary policy reversed course.

The dollar has fallen versus the yen in four of the last five trading days and yesterday neared a four-week low. Against the Swiss franc, the dollar weakened for a fourth straight session and stood at a low last seen on March 19.

"The minutes were laced with dovish undertones," said Scott Smith, senior FX trader and market analyst, at Cambridge Mercantile Group in Calgary, sending "market participants into a 'risk-on' buying frenzy."

The dollar was down 0.5% versus the yen at 101.41 yen (RM3.22), having fallen to 101.39, its lowest since March 19. The dollar slipped against the Swiss franc to 0.8753 franc (RM3.22), its lowest in three weeks.

The dollar index hit a three-week low of 79.330, well below a seven-week high of 80.599 set only last Friday. It last stood at 79.378, down 0.1% on the day.

A drop in China's exports stoked concerns about demand in the world's second-biggest economy and pushed the price of oil down toward US\$107 a barrel. Opec also lowered its 2014 forecast for oil demand.

Brent crude fell 54 cents to US\$107.44 a barrel, after gaining US\$2.16 over the previous two days.

Gold hit a 2-1/2-week high as the dollar dropped. Spot gold hit its highest since March 24 at US\$1,324.40 an ounce before easing to US\$1320.20, a gain for the day of 0.55%. – Reuters, April 11, 2014.

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