MARKETS

Global Stocks Fall on Heels of U.S. Rout

Futures point to an opening decline for the Dow after the blue-chip index tumbled more than 3% Wednesday

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A sharp selloff in U.S. stocks spilled over into global markets Thursday, with technology among the hardest hit again, as investors refocused on slowing global growth, rising bond yields and increasing trade tensions.

U.S. futures pointed to a 0.6% opening decline for the Dow Jones Industrial Average after the blue-chip index tumbled more than 3% on Wednesday.

The Stoxx Europe 600 was down 1.6% following a turbulent session in the Asia-Pacific region, which saw Chinese stocks tumble over 5% and indexes in South Korea and Japan shed around 4% apiece.

While the selloff adds to the pain that many emerging markets have felt in recent months, U.S. stocks have largely been isolated from that turmoil. That changed Wednesday, with the Dow industrials falling 832 points, or 3.2%, and the tech-heavy Nasdaq Composite skidding 4.1%, its worst decline since June 2016, when the Brexit vote concluded.

The rotation out of tech and other growth stocks has been sparked in part by the recent jump in government-bond yields and the Federal Reserve's interest-rate increases. President Trumpcalled out the U.S. central bank on Wednesday, saying "the Fed has gone crazy," as it continues to tighten monetary policy.

"The rise in Treasury yields has been the primary catalyst for the selloff in equities," said Steven Friedman, senior economist at BNP Paribas Asset Management, who added that higher bond yields make equities less attractive to potential buyers.

"Equity investors are growing concerned that the [Fed]'s projected rate path will choke off the expansion," he said.

The NYSE FANG+ Index—which tracks 10 global heavyweights including U.S. and Chinese tech giants—fell 5.6% Wednesday, its second-worst decline on record. It is down 10% so far in October.

Futures markets pointed to further declines for U.S. technology stocks on Thursday. Amazon.com was down 2.1% in premarket trade, Apple Inc. fell 1.6% and Twitter declined 1.5%.

The rise in bond yields momentarily halted on Thursday as investors piled into havens to shelter from the turbulence in equity markets. The yield on the 10-year Treasury note declined to 3.181%, according to Tradeweb, from 3.221% on Wednesday. Yields fall as prices rise.

Gold prices rose over 1% to $1207.30 an ounce.

Bond yields across much of Europe also fell except in Italy, where concerns over the country's antiestablishment government's budget plans have sparked a selloff in recent weeks.

Investors will be looking ahead later Thursday to the release of data on U.S. consumer prices for clues on the Fed's trajectory for raising interest rates.

"The key risk for markets globally remains what happens with U.S. inflation," said Mark Haefele, chief investment officer for UBS Wealth Management.

"Markets are very much focused on the Fed getting it...exactly right with their policy," he added.

European technology stocks—which make up a relatively small chunk of the region's markets—were under pressure, with the Stoxx Europe 600 technology subindex down 1.8% recently. The oil-and-gas sector was down nearly 3% amid a decline in energy prices. Brent crude fell 1.8% to $81.61 a barrel. Financial services firms were also under pressure.

In Asia, Tencent Holdings, the most valuable company listed in the region, fell nearly 7%. Other Chinese tech giants such as Baidu and Alibaba Group Holding, both of which are listed in the U.S., also fell sharply.

China's Shanghai Composite Index slid 5.2%, while the tech-heavy Shenzhen market fell 6.5%, taking losses to about 32% so far this year and making it one of the worst performers among the world's major markets. Taiwan's Taiex index, dominated by semiconductor companies and Apple suppliers, dropped 6.3%, its worst slide since January 2008.

One notable area of calm on Thursday: emerging-market currencies. The Turkish lira was up 1.5% against the dollar, the South African rand rose 1.2% and the Mexican peso gained 0.5%. That comes on the back of hefty losses this year for emerging markets, which have suffered amid higher U.S. interest rates and global trade tensions.

The WSJ Dollar Index, which measures the greenback against a basket of 16 others, was down 0.4%.

Some investors and analysts still see reasons to be optimistic amid the equity selloff, especially on U.S. stocks.

Ian Hui, global market strategist at J.P. Morgan Asset Management, said investors have been surprised by the speed at which bond yields have climbed. Still, sharp spikes in market volatility aren't unusual and the turbulence only tends to persist if there is an exceptional event associated with it, he said.

A pedestrian looks at a stock indicator board showing Dow Jones, Nasdaq, Hang Seng and SSE composite index numbers, in Tokyo on Thursday. PHOTO: BEHROUZ MEHRI/AGENCE FRANCE-PRESSE/GETTY IMAGES

"We still expect equities to find their footing," said Mr. Hui.

Andrew Milligan, head of global strategy at Aberdeen Standard Investments, highlighted the significance of the U.S. earnings season—which starts in earnest on Friday—given the expectations for solid profits growth.

"Surveys show that many investors had high cash positions at the start of the month, so those companies, sectors or markets with good valuations should receive support," he added.

Some of the largest U.S. banks are set to release earnings on Friday, including JPMorgan Chase and Citigroup.

But investors also point to other risks on the horizon, most notably elevated trade tensions between the U.S. and China. Meanwhile, concerns are building that the falling yuan and a slowdown in the Chinese economy could spill over into global markets.

“Cracks are starting to show,” said Charles Hepworth, an investment director at GAM Holding.

“Generalized de-risking will certainly be the order of the day going into the next quarter,” he added.

—Shen Hong contributed to this article.

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