

Stocks Slip With U.S. Futures; Dollar Rallies: Markets Wrap

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- Japan stocks retreat after S&P 500 drop; China up after break
- Yen climbs, snapping four-day losing streak; oil declines

Asian stocks declined alongside U.S. equity index futures Thursday on continuing investor concern about surging bond yields after the Federal Reserve’s latest comments on the economy. The dollar strengthened for the fifth day and Treasuries edged higher.

Stocks were lower in Japan, Hong Kong and South Korea, while equities in Shanghai rose after missing out on an Asian stock rally because of a week-long Chinese holiday. Futures on the S&P 500 Index slipped after a rally fizzled Wednesday following minutes from the [Fed’s January meeting](https://www.bloomberg.com/news/articles/2018-02-21/fed-minutes-show-confidence-improving-on-growth-price-outlook) showing increasing confidence that economic growth will pick up steam despite its concerns around inflation.

Risk-off sentiment spurred by the prospect of accelerating U.S. rate hikes boosted demand for the yen, which rose for the first time in five days. The 10-year Treasury yield pulled back from a 2.95 percent high. German bund yields rose and the euro drifted. The amount of Fed tightening priced into the overnight index swap curve for the next 12 months jumped to 74 basis points, the most since May 3, 2010.



“The market is pricing in the possibility of a tighter Fed over time,” Evan Brown, director at UBS Asset Management who previously worked on the open market trading desk at the New York Fed, [told Bloomberg TV](https://www.bloomberg.com/news/videos/2018-02-21/ubs-s-brown-says-markets-reaction-to-fomc-very-puzzling-video) in New York. On a day-to-day basis “you’re going to see volatility, you’re going to see equities get a little skittish when yields are rising, but as you look over the long term, fundamentals on the economy are very strong.”

February is shaping up as one of the worst months for global equities in more than a year as concerns about a pick-up in inflation and expensive stock prices outweighed evidence of a buoyant U.S. economy, sending U.S. 10-year Treasury yields to four-year highs and roiling shares. Data released after the January meeting underpin the view that inflation is no longer lagging. Fed policy makers next meet on March 20 when they will for the first time consider the January jobs report that indicated rising wages, and consumer prices that surged faster than forecast last month.

Elsewhere, oil fell to around \$61 a barrel and Bitcoin was trading above \$10,500. The Korean won led a decline among Asian emerging-market currencies.

Terminal users can read more in our markets blog.

Here are some key events scheduled for this week:

- Fed policy makers still due to speak include New York Fed President William Dudley and Atlanta Fed President Raphael Bostic.
- Companies announcing earnings include Woolworths and Royal Bank of Scotland.

These are the main moves in markets:

Stocks

- The MSCI Asia Pacific Index dipped 0.9 percent as of 4:15 p.m. Tokyo time.
- Topix index declined 0.9 percent.
- Hong Kong's Hang Seng Index dipped 1.2 percent.
- Kospi index fell 0.6 percent.
- Australia's S&P/ASX 200 Index rose 0.1 percent.
- Futures on the S&P 500 Index fell 0.3 percent.

Currencies

- The Bloomberg Dollar Spot Index rose 0.1 percent.
- The Japanese yen rose 0.2 percent to 107.56 per dollar.
- The euro fell 0.1 percent to \$1.2266.

Bonds

- The yield on 10-year Treasuries fell one basis point to 2.94 percent.
- Japan's 10-year yield rose less than one basis point to 0.057 percent.

Commodities

- West Texas Intermediate crude dipped 1.1 percent to \$61.03 a barrel.
- Gold fell 0.2 percent to \$1,321.78 an ounce.
- LME copper fell 1.3 percent to \$7,027.50 per metric ton.

— *With assistance by Betty Liu*

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