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## U.S. MARKETS

# U.S. Stocks Fall Sharply as Markets Extend Rocky Stretch

Nasdaq loses 4.4%, Dow and S&P 500 indexes relinquish their gains for 2018 in late day selloff

*By Amrith Ramkumar*

Updated Oct. 24, 2018 7:44 p.m. ET

An October stock-market rout deepened Wednesday, with an intense late-day selloff sending the Dow industrials into the red for the year and putting the Nasdaq Composite Index down more than 10% from its recent high.

The tech-heavy index tumbled 4.4%, its biggest one-day loss since August 2011. Netflix Inc. fell 9.4%, its biggest one-day drop since July 2016. Amazon.com Inc., Google parent Alphabet Inc., Facebook Inc. and Microsoft Corp. all slumped at least 5%. All five stocks have posted double-digit declines in October after having risen dramatically earlier in 2018.

The U.S. session started relatively quietly, with the Dow swinging between modest gains and declines even after weaker-than-expected quarterly results from AT&T Inc. But a mild afternoon selloff in the technology sector soon accelerated into a market retreat that sent industrials, financials and materials shares sprawling. General Electric Co., Goldman Sachs Group Inc. and Deere & Co. all declined more than 4%.

After the second consecutive whipsaw session, following Tuesday's rebound after a sharp early decline, investors were left feeling unsettled.

"You don't leave the office on days like this," said Mark Grant, managing director and chief global strategist at B. Riley FBR Inc. in Fort Lauderdale, Fla. Mr. Grant said he has probably been getting three times as many phone calls from clients as usual.

"Clients from different places in the world are calling us asking, 'What is this? What should we do?'" Mr. Grant said.

The steepness of Wednesday's late-day tumble renews questions that have cropped up this month about the health of the global economy and leaves investors pondering whether the nine-year rally is at a turning point. Few investors are predicting a recession in the near term, but some are debating whether the market will withdraw further under pressure from higher interest rates, softening global growth expectations and continued political tumult.

The Nasdaq Composite tumbled 329.14 points to 7108.40, pushing it 12% below its Aug. 29 record and into correction territory for the first time since February 2016. The index, which is still up 3% for the year, joins transportation, small-capitalization, bank and biotechnology stocks in correction territory as investors have broadly sold riskier assets in recent weeks.

The Dow industrials fell 608.01 points, or 2.4%, to 24583.42, and the S&P 500 declined 84.59 points, or 3.1%, to 2656.10. The Dow is 8.4% below its Oct. 3 record and down 0.5% for the year, while the S&P 500 is off 9.4% from its Sept. 20 peak and down 0.7% for the year.

"It just really felt like people were throwing in the towel today," said Rob Bernstone, a managing director in equity trading at Credit Suisse Group. "It's going to be interesting to see

what happens tomorrow.”

Investors will be keeping an eye on the market response to Wednesday evening’s major earnings releases. Shares of Tesla Inc., Microsoft and Ford Motor Co. rose in after-hours trading on their results, potentially boosting sentiment for Thursday’s session. But Advanced Micro Devices Inc. slumped following its latest report, a setback that could add to recent pressure on the semiconductor sector.



The Dow industrials on Tuesday fell almost 550 points before making up most of the losses in the final hours of trading. PHOTO: VICTOR J. BLUE/BLOOMBERG NEWS

Wednesday’s session was the opposite of Tuesday’s in many ways, with stocks opening little changed before tumbling in the afternoon. A day earlier, the Dow industrials had fallen nearly 550 points early in the day only to erase most of that decline by the close.

Analysts said the continued whipsaw trading reflects the unsettled condition of markets around the world, with pockets of weakness again morphing into a far-reaching selloff. While declines started in names such as AT&T, they eventually spread to companies like industrial conglomerates including GE, which slumped 4.1%.

“It just seemed like once we saw the intraday turn and it didn’t trigger buying, it all unraveled,” said Frank Cappelleri, executive director and senior equity sales trader at brokerage Instinet in New York

Worries about global growth and peaking corporate earnings have recently buffeted stocks around the world, along with commodities. Highflying internet and technology shares have been among the hardest hit. Investors have flocked toward the technology sector for years because of the group’s ability to consistently expand sales regardless of global economic growth, but recent trade tensions between the U.S. and China and signs that earnings might be peaking have hurt the market’s leaders.

While many of those technology shares are still sitting on sizable gains for the year, investors have said their protracted slump reflects heightened concern about whether their outsize sales increases can continue. The powerful drops are also a sign that some investors expect a slower rate of earnings and economic growth in the future to shuffle the market’s leaders.

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“Growth stocks like tech do really well when everything is accelerating and tend to not do so well when things decelerate,” said Jerry Braakman, chief investment officer of First American Trust.

Weakness in the housing and auto sectors of the U.S. economy is increasingly worrying some analysts fearing a slowdown, and data Wednesday showed sales of new homes in the U.S. fell for the fourth month in a row in September.

Meanwhile, data from an index of preliminary eurozone purchasing managers suggested on Wednesday the regional economy grew at its slowest pace in over two years in October.

While some investors had hoped steady earnings data could stabilize major indexes, analysts said the market is increasingly finding sources of angst when given more information.

That could be a continued challenge on Thursday, which will be one of the busiest days of the third-quarter earnings season featuring 80 S&P 500 companies.

“We just have a bunch of different uncertainties, and that raises the fear factor all around,” Mr. Braakman said. “This kind of environment really starts stressing people.”

The Stoxx Europe 600 erased early gains Wednesday, closing down 0.2% in a sixth consecutive session of declines. In Asia, Japan’s Nikkei Stock Average rose 0.4%, while South Korea’s Kospi benchmark and Hong Kong’s Hang Seng fell 0.4%.

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