Wall Street sinks as U.S. bond market stokes fears of recession

New York, August 8 (RHC)-- U.S. stocks plunged on Wednesday, with the Dow Jones Industrial Average falling more than 450 points, as investors were spooked by the latest signals from the bond market that pointed to heightened risk of a recession.

U.S. Treasury yields took another dramatic drop and the premium on three-month bill rates above 10-year note yields was at its most elevated levels since March 2007. This so-called inversion between the two maturities has preceded every U.S. recession in the past 50 years.

Traders raised bets that the Federal Reserve would cut key borrowing costs three more times by year-end, with markets fully pricing in a reduction in September. This comes on the heels of monetary easing from central banks in New Zealand, India and Thailand on Wednesday, and as fears of the trade war hurting global growth remerged after President Donald Trump last week threatened to slap 10% levies on the rest of $300 billion of Chinese imports.

"(Markets) are moving lower on global growth concerns. And coming into question is the broader fundamental strength of economies around the world, " said Mike Loewengart, vice president, investment strategy, at E*TRADE Financial Corp.

The interest-rate sensitive S&P 500 banks sub-sector slipped 3.41%. The broader financial index dropped 2.60%, the most among the 11 major S&P sectors which were all lower.

China's offshore yuan fell through the key level of 7-per-dollar mark after recovering partly on Tuesday that had sparked a 1% gain in the three main Wall Street indexes. With the second-quarter earnings season winding down, about 73% of the 426 S&P 500 companies that have reported results so far have topped earnings estimates.

Walt Disney Co dropped 5.7% after its quarterly earnings missed analysts' forecast as the company invested heavily in its streaming platform and began folding in assets purchased from Twenty-First Century Fox.

CVS Health Corp rose 5.1% after the drugstore chain posted profit above estimates, boosted by strong sales in the Aetna health insurance business it acquired last year and raised its full-year earnings forecast.

Declining issues outnumbered advancers for a 4.65-to-1 ratio on the NYSE and for a 3.42-to-1 ratio on the Nasdaq. The S&P index recorded no new 52-week high and 29 new lows, while the Nasdaq recorded 15 new highs.

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