Asian shares fall after Wall Street plunge
By JOE McDONALD
Associated Press, Feb, 09, 2018

BEIJING (AP) — China’s stock market benchmark plunged 5.5 percent on Friday and other Asian markets were off sharply after the Dow Jones industrials on Wall Street plummeted more than 1,000 points, deepening a week-long sell-off.

Asian markets followed Wall Street down after the Dow entered “correction” territory for the first time in two years.

The Shanghai Composite Index dipped 5.5 percent but recovered slightly to end morning trading down 4.1 percent at 3,127.91. Tokyo’s Nikkei 225 was off 3.2 percent at 21,180.28 and Hong Kong’s Hang Seng fell 4.2 percent to 29,142.87. Benchmarks in Australia, South Korea and Southeast Asia also retreated.

Financial analysts regard corrections as a normal market event but say the latest plunge might have been triggered by a combination of events that rattled investors. Those include worries about a potential rise in U.S. inflation or interest rates and whether budget disputes in Washington might lead to another government shutdown.

“Markets are down again today, maybe unnerved by fears that the U.S. Senate will not pass a budget bill in time to avoid a U.S. government shutdown,” said Rob Carnell of
ING in a report. “With financial markets vulnerable at the moment, this was not great timing for such political brinksmanship.”

On Wall Street, regular investors and experts alike had mixed thoughts about the outlook for the market amid extremely volatile week of trading on the New York Stock Exchange. (Feb. 8)

Chinese markets fell despite unexpected strongly trade data Thursday.

In Europe, markets were unnerved Thursday by the Bank of England's indication that it could raise its key interest rate in coming months due to stronger global economic growth. Germany’s DAX lost 2.6 percent while France’s CAC 40 ended down 2 percent. Britain’s FTSE 100 fell 1.5 percent.

After hitting a high two weeks ago, U.S. stocks started to tumble last week after the Labor Department said workers' wages grew at a fast rate in January. Investors worried rising wages will hurt corporate profits and could signal an increase in inflation that could prompt the Federal Reserve to raise interest rates at a faster pace, putting a brake on the economy.

Since then, the Dow and the Standard & Poor’s 500 have fallen 10 percent, Wall Street’s traditional definition of a correction.
On Wall Street, many companies that rose the most over the last year have borne the brunt of the selling. Facebook and Boeing have both fallen sharply.

The Dow lost 1,032.89 points, or 4.1 percent, to 23,860.46. Boeing, Goldman Sachs and Home Depot took some of the worst losses.

The S&P 500, the benchmark for many index funds, shed 100.66 points, or 3.8 percent, to 2,581. Even after this week’s losses, the S&P 500 index is up 12.5 percent over the past year. The Nasdaq composite fell 274.82 points, or 3.9 percent, to 6,777.16.

The market, currently in its second-longest bull run of all time, had not seen a correction for two years, an unusually long time. Many market watchers have predicted a pullback for some time, saying stock prices have become too expensive relative to company earnings.

“We may have seen the worst, but it’s too early to say for sure. However, our view remains that it’s just another correction,” said Shane Oliver of AMP Capital in a report.

Corrections of up to 15 percent “are normal,” said Oliver.

“In the absence of recession, a deep bear market is unlikely,” he said.

Stocks are not falling because investors have doubts about the economy. Employers are hiring at a healthy pace, with unemployment at a 17-year low of 4.1 percent. The housing industry is solid. Manufacturing is rebounding. Households and businesses are spending freely. Personal debt has lightened since the financial crisis a decade ago. And major economies around the world are growing in tandem for the first time since the Great Recession.

Economies around the world are strengthening and corporate profits are on the rise. That combination usually carries stocks higher. But stock prices climbed faster than profits in recent years. Many investors justified that by pointing out that interest rates were low and few alternatives looked like better investments. Fast rising interest rates would make that argument much less persuasive.

In currency markets, the dollar edged up to 108.84 yen from Thursday’s 108.73 yen. The euro held steady at $1.2248.

Benchmark U.S. crude lost 65 cents to $60.50 per barrel in electronic trading on the New York Mercantile Exchange. It fell 64 cents the previous session to $61.15.

Brent crude, used to price international oils, lost 58 cents to $64.23 in London. It retreated $70 cents on Thursday to $68.81.