REUTERS

Instant View: U.S. share tumble continues, Nasdaq flirts with correction

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NEW YORK (Reuters) - Wall Street indexes continued their decline in volatile trade on Thursday as investors continued to shun risky investments, and the Nasdaq dipped in to correction territory.

During afternoon trade the S&P was down more than 2 percent after shedding 3 percent in the previous day's session, then found its footing and cut losses. The Nasdaq fell as much as 10.3 percent from its closing record high, reached on Aug. 29 before likewise bouncing to almost unchanged. If it closes at the worst level seen for the day so far, it would confirm a correction.

COMMENTS:

DENNIS DICK, PROPRIETARY TRADER, BRIGHT TRADING LLC, LAS VEGAS

"You've a few people who were maybe under invested jumping in here. We saw a rally this morning and that ended up being a suckers rally. Then you had buy-the-dippers coming in here saying this was too much too fast."

"What had us down this morning was fear. Traders from the day before thinking we were going to bounce back but it didn't work. I think its money managers coming in saying it was too much too fast … we bounced right off the June lows we got near."

"Technology is leading the way here. Its leading us back. Are we out of the woods here? I don't think so. You're going to see a lot of volatility in the next week or so."

"If we can get any (U.S./China)meetings going that's going to help the market. It could kick start us."

KEITH LERNER, CHIEF MARKET STRATEGIST, SUNTRUST ADVISORY SERVICES, ATLANTA:

"When you have a shock day like yesterday, people are caught off guard, there are a lot of adjustments going on below the surface. And there tends to be a lot of volatility the day after a shock day, and over the next several days or weeks."

BERNARD BAUMOHL, MANAGING DIRECTOR AND CHIEF GLOBAL ECONOMIST, THE ECONOMIC OUTLOOK GROUP, PRINCETON, NEW JERSEY

"We are going to have a fairly significant pull-back in the final quarter (of 2018). We saw this coming ; the market couldn't conceivably continue to rise, it couldn't conceivably maintain its strength in the face of rising short- and long-term interest rates. Ironically this is also occurring at a time when the economic expansion was beginning to show signs of wear and tear. We saw it in consumer spending, we've seen it in home sales, and in auto purchases.

"Also, when you combine a slowdown in sales with an increase in costs --- costs coming from rising import tariffs and a pickup in wages --- it is going to hurt margins and I think more investors are becoming increasingly concerned. It's rising costs and the difficulty that companies have in passing on these costs to consumers. The increase in interest rates obviously raises the cost of capital too and servicing that debt.

The stock market reflects future earnings expectations. Investors are sensing less earnings growth over the course of 2019."

STAN SHIPLEY, MARKET STRATEGIST, EVERCORE ISI, NEW YORK:

"Fundamentals have not changed materially. The economy looks strong and you're still seeing gradual inflation. What's going on now is that stocks that were somewhat expensive three weeks ago are now looking a lot cheaper. People could say later on, the world is not ending and I am going to start buying. When does that happen? We don't know. Technically, there is no sign that this is ending here. Usually, you will find some floor and bounce off that floor, but it will come back and test that floor and there's a good chance that it will rally from that floor. But that takes awhile. It's not something that happens overnight."

FRITZ FOLTS, CHIEF INVESTMENT STRATEGIST, 3EDGE ASSET MANAGEMENT LP, BOSTON

"If we weren't just heading into the earnings seasons maybe we wouldn't have gotten the result we've had in 2 days. You want to take some risk off the table going into that. People are concerned that after so many earnings seasons with just blow-out numbers I think people are concerned that they're going to start to see the writing on the wall that maybe that's not going to hold."

"We're not completely out of the equity market. You certainly could see a selloff and a bounce-back, particularly if Jay Powell thinks that it might be necessary to make a statement that makes him sound a little less hawkish then you definitely could see snap-back rally…. There's no Powell put. I don't see it in his make-up."

MICHAEL O'ROURKE, CHIEF MARKET STRATEGIST, JONESTRADING, GREENWICH, CONNECTICUT

“There was a major sell-off overnight (in Asia) following the sell-off yesterday. We never really got firm footing. People are basically unsure what to do, and we didn’t see any real developing shift in the environment of the marketplace…Part of the rally this morning was President Trump talking up a meeting with Chinese President Xi at the G-20 summit. But he indicated that a week ago last Thursday. So that wasn’t a real news development, and the market went back to de-risking again.”

“You see more companies giving weaker guidance going forward. That’s an issue. People worry that there’s a cyclical top coming up for earnings. Then we have two main headwinds: the trade war with China and rising interest rates. People fear that it will be harder to snap back if we’re seeing a cyclical top in earnings with those two headwinds, which are not going away. For most of this bull market, we’ve had very accommodative monetary policy, and obviously there was no trade war going. If anything, multinationals were benefiting from doing things offshore. Those were positive catalysts for global markets. Now they’re negative headwinds. Investors are concerned.”

MARKET REACTION

STOCKS: The Dow was down 301 points, or 1.15 percent, having been down more than 2 percent. It hit its lowest level since July 13. The S&P 500 also fell more than 2 percent only to steady back to show a 0.93 percent loss. It bottomed at the lowest since July 2. The tech-heavy Nasdaq was down 0.16 percent, having earlier declined more than 1 percent and hitting its lowest since May 9.

TREASURIES: The yield on the U.S. 10-year Treasury note fell to 3.1479 percent.

VIX: The Cboe volatility index was up 5 percent at 24.12. Earlier it reached its highest since Feb 12.

Dollar: The U.S. dollar index was off 0.5 percent.

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