

WALL STREET

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The only way is down for equities as bond yields top 3%

After yesterday's shake-out, investors were bracing for more of the same on Wednesday.

The Dow Jones average, which plunged 425 points yesterday to close at 24,024, was expected to open at around 23,929, setting it up for its fifth losing session in a row.

The broader-based S&P 500, which plunged 36 points to 2,634.6 yesterday, was expected to open at around 2,624.

Attention was expected to focus this morning on US Treasury yields where the yield on the 10-year note has moved above 3%.

"While the market has focused on the psychological resistance level of 3% yields on US ten year bonds, investors should not anchor themselves too much in the recent past. If bond yields move to establish their long term link with nominal GDP growth, then 3% may be a brief interlude on the way to 4%," suggested Philip Smeaton, the chief investment officer at Sanlam UK.

Rising US bond yields has restored some vigor to the greenback; the dollar index was up 0.29 at 85.16.

The continuing slide in equity markets does not seem to have prompted the usual flight to gold by the risk averse; the yellow metal was trading US\$7.60 lower at US\$1,325.40 an ounce.

Elsewhere on commodities markets, West Texas intermediate was priced seven cents higher at US\$67.77 a barrel.

Asian markets held up reasonably well last night following the dismal performance yesterday of US blue-chips.

In Tokyo, the Nikkei 225 closed at 22,215, down 63 points while in Hong Kong the Hang Seng index tumbled 308 points to 30,828.

European markets were lower this morning with Germany's DAX the hardest hit, shedding 230 points at 12,320.

In the UK, the FTSE 100 index was 51 points in the hole at 7,374.

Back in the US, earnings announcements this morning have been generally encouraging.

Social media giant Twitter Inc (NYSE:TWTR) rose 3.5% to US\$31.55 in pre-market trading after its first quarter numbers topped expectations.

Earnings per share of 16 cents were four cents above the consensus forecast. Revenue came in at US\$655mln, compared to expectations of US\$608mln, while the number of monthly active users was reported at 336mln, versus forecasts of 334.2mln.

Comcast Corporation (NASDAQ:CMCSA) was slightly off the pace in screen-based trading, shedding 2% at US\$32.70, despite topping expectations with its first quarter earning.

Share Information

MarketTopic Synopsis:

A look at the US markets.

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Earnings per share of 62 cents were three cents above the consensus forecast.

Revenue of US\$22.79bn were a shade above the US\$22.74bn expected by the market.

The shares dipped, however, as the company topped an offer by 21st Century Fox (NASDAQ:FOXA) for UK pay-TV pioneer Sky PLC (LON:SKY).

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