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Stocks jump to cap chaotic week

BY STAN CHOE

THE ASSOCIATED PRESS

NEW YORK>> U.S. stocks jumped Friday in another manic day on Wall Street, while the falling value of the U.S. dollar and other swings in financial markets suggested fear is still high about escalations in President Donald Trump's trade war with China.

The S&P 500 rallied 1.8%, after veering repeatedly between gains and losses, to cap a chaotic and historic week full of monstrous swings. The Dow Jones Industrial Average went from an early loss of nearly 340 points to a gain of 810 before settling at a rise of 619 points, or 1.6%, while the Nasdaq composite jumped 2.1%.

Stocks kicked higher as pressure eased a bit from within the U.S. bond market. It's typically the more boring corner of Wall Street, but it's been flashing serious enough signals of worry this week that it's demanded investors' and Trump's attention.

The yield on the 10-year Treasury topped 4.58% in the morning, up from 4.01% a week ago. That's a major move for a market that typically measures things in hundredths of a percentage point. Such jumps can drive up rates for mortgages and other loans going to U.S. households and businesses, which would slow the economy, and they can indicate stress in the financial system.

But Treasury yields eased back as the afternoon progressed, and the 10-year yield regressed to 4.48%. That's still higher than the day before, but not by as eye-wateringly much.

Susan Collins, president of the Federal Reserve Bank of Boston, told the Financial Times that the Fed "would absolutely be prepared" if markets become disorderly and "does have tools to address concerns about market functioning or liquidity should they arise."

Several reasons could be behind this week's jump in U.S. Treasury yields, which is unusual because yields typically fall when fear is high.

Investors outside the United States could be selling their U.S. bonds because of the trade war, and hedge funds could be selling whatever's available in order to raise cash to cover other losses. More worryingly, doubts may be rising about the United States' reputation as the world's safest place to keep cash because of Trump's frenetic, on-and-off tariff actions.

The value of the U.S. dollar also fell again Friday against everything from the euro to the Japanese yen to the Canadian dollar.

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Freak sell-off of bonds raises fear that confidence fading

BY BERNARD CONDON AND STAN CHOE

THE ASSOCIATED PRESS

NEW YORK>> The upheaval in stocks has been grabbing all the headlines, but there is a bigger problem looming in another corner of the financial markets that rarely gets headlines: Investors are dumping U.S. government bonds.

Normally, investors rush into Treasurys at a whiff of economic chaos but now they are selling them as not even the lure of higher interest payments on the bonds is getting them to buy. The freak development has experts worried that big banks, funds and traders are losing faith in America as a good place to store their money.

"The fear is the U.S. is losing its standing as the safe haven," said George Cipolloni, a fund manager at Penn Mutual Asset Management. "Our bond market is the biggest and most stable in the world, but when you add instability, bad things can happen."

That could be bad news for consumers in need of a loan — and for President Donald Trump, who had hoped his tariff pause earlier this week would restore confidence in the markets.

What's happening?

A week ago, the yield on the 10-year Treasury was 4.01%. On Friday, the yield shot as high as 4.58% before sliding back to around 4.50%. That's a major swing for the bond market, which measures moves by the hundredths of a percentage point.

Among the possible knock-on effects is a big hit to ordinary Americans in the form of higher interest rates on mortgages and car financing and other loans.

"As yields move higher, you'll see your borrowing rates move higher, too," said Brian Rehling, head of fixed income strategy at Wells Fargo Investment Institute. "And every corporation uses these funding markets. If they get more expensive, they're going to have to pass along those costs customers or cut costs by cutting jobs."

Treasury bonds are essentially IOUs from the U.S. government, and they're how Washington pays its bills despite collecting less in revenue than it spends.

To be sure, no one can say exactly what mix of factors is behind the developing bond bust or how long it will last, but it's rattling Wall Street nonetheless.

Bonds are supposed to move in the opposite direction as stocks, rising when stocks are falling. In this way, they act like shock absorbers to 401(k)s and other portfolios in stock market meltdowns, compensating somewhat for the losses.

"This is Econ 101," said Jack McIntyre, portfolio manager for Brandywine Global, adding about the bond sell-off now, "It's left people scratching their heads."

The latest trigger for bond yields to go up was Friday's worse-than-expected reading on sentiment among U.S. consumers, including expectations for much higher inflation ahead. But the unusual bond yield spike this week also reflects deeper worries as Trump's tariffs threats and erratic policy moves have made America seem hostile and unstable — fears that are not likely to go away even after the tariff turmoil ends.