

US stocks tumble, global inflation fears grow

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United States stocks have taken a tumble overnight as Treasury yields surged above 5 per cent, reinforcing fears that global inflation will force borrowing costs to rise.

On the New York Stock Exchange, the Dow Jones industrial average lost 199 points, or almost 1.5 per cent, to 13,267.

The high-tech Nasdaq composite index also finished in negative territory, shedding 46 points to 2,541.

It is the biggest one-day percentage loss for the Dow and the Nasdaq since mid-March this year.

On British markets, higher interest rates fears spooked investors, with insurers, banks and real estate stocks the hardest hit.

While the Bank of England yesterday announced rates would be kept steady at 5.5 per cent, London's FT-100 index fell to its lowest close in more than a month.

It lost almost 0.3 per cent overnight, to close at 6,505.

Yesterday the Australian share market lost value for a third consecutive day.

The All Ordinaries Index fell 29 points to 6,338.

The ASX 200 shed 26 points to 6,311.

Australian Bureau of Statistics figures showing unemployment at a new 32-year low have fuelled concerns that the strong labour market could put pressure on inflation and bring an interest rates rise.

Banking stocks had varied reactions to to the latest economic data.

ANZ added 24 cents to \$29.51, while National Australia Bank dropped 17 cents to \$41.

In overnight trade on the Sydney Futures Exchange, the Share Price Index 200 contract was down 94 points at 6,222 at 7:00am AEST.

The 10-year bond contract was down 9.5 points at 93.8, with the implied yield at 6.2 per cent.

On foreign exchange markets, the Australian dollar is just managing to stay above 84 US cents.

At 7:00am AEST, it was being quoted at 84.08 US cents, down from yesterday's close of 84.73.

On the cross-rates, it was at 0.6259 euros, 101.68 Japanese yen, 42.52 pence Sterling and NZ 1.120.

The gold price was at \$US659.15 per ounce.

The spot price of West Texas crude oil was up 98 cents to \$US66.93 per barrel.

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