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Dow plunges nearly 800 points by the closing bell as trade fears loom large

US benchmarks were in the red by the end of the day as trade fears loom large over the market.

The Dow Jones Industrial Average plummeted nearly 800 points, dragged lower by bellwether Caterpillar Inc (NYSE:CAT), JPMorgan Chase & Co (NYSE:JPM), Intel Corp (NASDAQ:INTC) and Apple Inc (NASDAQ:AAPL).

The S&P 500 fell more than 90 points, weighed down by chipmakers.

Advanced Micro Devices Inc (NASDAQ:AMD), Applied Materials Inc (NASDAQ:AMAT), Micron Technology Inc (NASDAQ:MU) and Nvidia Corp (NASDAQ:NVDA) were among the top decliners on the index.

The tech-heavy Nasdaq jumped sank more than 280 points by the end of the trading day.

Amazon.com Inc (NASDAQ:AMZN), Baidu Inc (NASDAQ:BIDU), American Airlines Group Inc (NASDAQ:AAL) and Western Digital Corp (NASDAQ:WDC) were among the top decliners.

The Russell 2000 was slipped about 4.2% by the closing bell.

Barnes & Noble Education Inc (NYSE:BNED) was one of the worst-performing stocks on the small-cap index after the popular bookseller's education-focused arm reported disappointing second-quarter results.

Up north, the TSX fell more than 210 points, dragged down by healthcare stocks.

1:30 PM: US stocks plunge as bond market flashes a recessionary warning sign

The Dow Jones Industrial Average and the other US indices slid sharply in Tuesday's afternoon trading session as a fall in US bond yields sparked fears about sluggish economic growth and investors grew skeptical about the likelihood of an advance in US-China trade discussions.

In an abrupt turn from yesterday's rally, US indices tumbled in afternoon trade in response to the inversion of the US yield curve, which saw the yield on five-year government debt fall further and slip below the yield on three-year debt.

When yield-curd inversion takes place and yields on short-term debt trade higher than longer-term debt, a recession could be on the horizon, according to market strategists.

As Tuesday afternoon wore on, the Dow Jones Industrial Average index dropped more than 774 points to hit 25,051, held back by a 5.5% loss by Caterpillar Inc, the international trade bellwether, as well as a 4.2% drop in shares of JP Morgan Chase & Company and a 3.8% fall by Boeing.

The tech-laden Nasdaq also headed lower, losing 264 points to 7,178, held back by Applied Materials, Lam Research, American Airlines and Western Digital.

Elsewhere, the S&P 500 dropped by 86 points to 2,703, while the Russell 2000 index of small-cap stocks lost 50 points to hit 1,498.

Share Information

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A look at the US markets.

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In Canada, Toronto's TSX shed 165 points to reach 15,109, hit by a sell-off in healthcare stocks and fading optimism about the progression of US-China trade talks.

10 AM: US shares lower in early dealings as yields invert for first time in a decade

Wall Street shares were fractionally easier in early trade Tuesday as uncertainty surrounds the trade truce between the US and China.

Trade is still a focus for market players after stocks gained Monday when President Donald Trump and Chinese President Xi Jinping put in place a 90-day pause in their trade war.

Market to close on Wednesday

The language in the Trump announcement reportedly was very different from the Chinese government, sowing confusion in the markets.

Possibly adding to the glum mood was a Bloomberg report that the US Treasury yield curve just inverted for the first time in more than a decade.

The difference between three- and five-year Treasury yields dropped below zero, marking the first portion of the curve to invert in this cycle.

Rate strategists have long pointed to an inverted yield curve and the well-known economic implications that come with it, namely that the spread between short- and long-term Treasury yields has dropped below zero before each of the past seven recessions.

The Dow Jones Industrial Average Index eased 0.36% to 25,733. The tech-laden Nasdaq was off 0.37% to 7,413.

The S&P 500 slipped 0.27% to 2,783.

Only the small-cap Russell 2000 posted gains as it rose 1.02% to 1,548.

In Canada, the TSX gained 0.5% to trade at 15,274.

Tech heavyweight Apple Inc (NASDAQ:AAPL), which jumped on Monday due to the trade news, had rowed back almost 2% to \$181.34.

The market will be hit with a pause when it shuts on Wednesday to honor the memory of former US President George Bush, who passed away on November 30, 2018.

The Nikkei 225 lost over 538 points overnight at 22,036 while European stocks were easier as Wall Street opened up.

7:18 am: US shares seen coming off highs as trade jitters resume; European stocks lag

Wall Street shares are seen coming off highs Tuesday to start negatively as European benchmarks are also off to a poor start.

Trade is still a focus and after stocks rose yesterday when President Donald Trump and Chinese President Xi Jinping apparently moved to instigate a temporary truce in their battle, confusion appears to have now set in.

The language of the Trump announcement of the trade detente reportedly was very different to that made by the Chinese government.

At the close on Wall Street, the Dow Jones Industrial Average Index had jumped 288 points to hit 25,826, pushed up by the likes of Boeing, Apple (NASDAQ:AAPL) and Caterpillar.

The Nasdaq also gained nearly 111 points and the S&P 500 added over 30.

In futures Tuesday, the Dow Jones is trading down 117 points at the time of writing, while Nasdaq is down around 36 and the S&P 500 is off ten points.

In Europe, the FTSE 100 is down over 50 points at 7,012, not least as the pound rose as five days of the Brexit debate gets underway in Parliament. The German DAX lost around 83 at 11,382 and the French CAC 40 shed around 33 points at 5,020.

James Hughes, analyst at Axitrader in London said the week may have begun with a fanfare for equities globally.

"However upside is already looking to be short lived after Asian markets reversed overnight and Japan's Nikkei tumbled dramatically," he said.

"The Yen has seen some notable appreciation off the back of inflows as a result of falling US Treasury yields, with profit taking off Monday's gains further compounding downside in Tokyo."

The analyst added: "US index futures may be off their overnight lows, but we're still eyeing some significant losses on Wall Street at the opening bell.

"Economic data is relatively thin on the ground and major underlying markets will also be closed for tomorrow's day of mourning following the death of former US President George Bush at the weekend.

"Fresh direction could therefore prove difficult to find in the near term, although further declines in US treasuries could help encourage at least some of that cash back into stocks."

The Nikkei 225 lost over 538 points overnight at 22,036.

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