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# Stocks fall, yields climb as rate cut outlook takes a hit


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NEW YORK, April 2 (Reuters) - The three major U.S. stock indexes fell about 1% on Tuesday and the yield on benchmark 10-year Treasuries hit a four-month high after data showing strong labor demand raised the prospect that the Federal Reserve could delay cutting interest rates.

The dollar also hit a four-month high against major trading currencies but later retreated, as fears of intervention by Japanese officials slowed the dollar's gains against the yen.

Bitcoin also fell, down 7.5% at one point, as risk assets took a beating on concerns that rate cuts may not come as soon as expected. The dollar index , a measure of the U.S. currency against six peers, fell 0.21%. Gold scaled a new peak.

U.S. job openings, a measure of labor demand, edged up 8,000 to 8.756 million on the last day of February, the Labor Department's Bureau of Labor Statistics said. Data for January in the Job Openings and Labor Turnover Survey, or JOLTS, was revised lower to show 8.748 million unfilled positions.

"We're back into a good news is bad news situation because recently the economic data that's been released, including today's JOLTS report, have been reflective of a fairly robust economy," said Russell Price, chief economist at Ameriprise Financial in Troy, Michigan.

"Combine that with we've seen inflation becoming sticky, it pushes back the prospect of Federal Reserve interest rate cuts."

MSCI's gauge of stocks across the globe (.MIWD00000PUS), opens new tab closed down 0.49%, while on Wall Street, the Dow Jones Industrial Average (.DJI), opens new tab fell 1%, the S&P 500 (.SPX), opens new tab lost 0.72% and the Nasdaq Composite (.IXIC), opens new tab dropped 0.95%.

A report from the Institute for Supply Management showed slower-than-expected growth in the US services industry. That lifted stocks and morning trading on investor hopes that the data might support a rate cut in the near future.

A 4.9% decline in Tesla (TSLA.O), opens new tab shares also weighed on Wall Street after quarterly deliveries fell for the first time in nearly four years and missed Wall Street estimates.

Earlier in Europe, the pan-regional STOXX 600 index (.STOXX), opens new tab closed down 0.80% at a one-week low after hitting an all-time intraday high. Speculation about imminent interest rate cuts has convinced investors to buy in to risky assets in recent weeks.


Treasury yields jumped on Monday after manufacturing data grew for the first time since September 2022 and the personal consumption expenditures index (PCE) last week was revised higher for January as consumer spending boomed in February.

"When the ISM data bounced up above the 50 line, it wiped out recession bets for a lot of people and also pulled forward or unwound rate cut expectations," said Phillip Colmar, global strategist at MRB Partners in New York.

"The economy hasn't been at all favorable towards rate cuts. It signals what we have been suggesting, no rate cuts are needed," Colmar said. "And then inflation is just not giving that break for the Fed either."

Longer-duration Treasury yields rose to multi-month highs, with the benchmark 10-year note's yield hitting 4.405%, its strongest since Nov. 28. It was last up 2.6 basis points at 4.355%.

The two-year's yield, which reflects interest rate expectations, fell 2.5 basis points to 4.693%.

Across the Atlantic, euro zone manufacturing activity contracted at an even steeper pace in March than in February, as demand continued to fall and German inflation eased. The 10-year German bund fell 1.2 basis points to 2.398%.

Broader euro zone inflation data is due on Wednesday, and will be closely watched for indications about when the European Central Bank will cut rates.

The yen strengthened 0.03% versus the dollar at 151.57 after earlier dipping to 151.79. It has traded in a tight range since reaching a 34-year trough of 151.975 on Wednesday, which spurred Japan to step up warnings of intervention.

On Tuesday, Finance Minister Shunichi Suzuki reiterated that he would not rule out any options to respond to disorderly currency moves.

Brent crude briefly rose above $89 a barrel for the first time since October, as oil supplies faced new threats from Ukrainian attacks on Russian energy facilities. Ukraine struck one of Russia's biggest refineries on Tuesday.

U.S. crude rose $1.44 to settle at $85.15 a barrel and Brent settled up $1.50 at $88.92 a barrel.

Gold hit a new record high as traders snapped up the safe haven asset amid growing Middle East tensions, largely ignoring a still-strong dollar and tempered bets for U.S. rate cuts.

Spot gold hit an all-time high of $2,276.89 an ounce. U.S. gold futures settled 1.1% higher at $2,281.8.