

# US stocks plunged due to fluctuating interest rate expectations, oil prices highest in 5 months, bitcoin dropped 5,000 USD

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The US stock market dropped in the trading session on Tuesday (April 2), marking the second consecutive session of decline in an unfavorable start to the second quarter, when US Treasury bond yields increased and investors Traders reduced bets on the possibility of the US Federal Reserve (Fed) starting to lower interest rates in June.

Crude oil prices rose to their highest level since October last year, while bitcoin prices suddenly plummeted to the \$65,000 region.

At closing, the Dow Jones index 'evaporated' 396.61 points, equivalent to a decrease of 1%, to 39,170.24 points. At the time of the session's bottom, this blue-chip index dropped more than 500 points.

The S&P 500 index lost 0.72%, to 5,205.81 points. The Nasdaq index slid 16,240.45 points.

With the above decrease, this is the strongest drop session for Dow Jones and S&P 500 since March 5.

After the brilliant performance of the first quarter, US stocks are having a less favorable start to the second quarter. Statistics released last week showed that inflation persisted at a level significantly higher than the target. Pepper is the factor pushing US Treasury yields higher and reducing the likelihood of the Fed initiating interest

rate cuts in June. Volatility in yields and interest rate expectations puts downward pressure on stock prices.

This session, the 10-year US Treasury bond yield increased to its highest level since the end of November last year. The fact that oil prices have reached a 6-month peak is also not beneficial for stock prices because it makes investors more concerned about the inflation outlook.

"The market is facing dual pressure from hot inflation data and investors' need to realize profits," CEO Greg Bassuk of AXS Investments commented to CNBC news agency. Mr. Bassuk said that after rising sharply in the first quarter, the market will need a bit of a correction, 'but investors are expecting interest rates to stay higher for longer'.

With a more optimistic perspective, expert Sarat Sethi of Douglas C. Lane & Associates believes that this sell-off is just a natural result of stock prices increasing too quickly in recent times.

Leading this decline were technology stocks. Tesla dropped 4.9% after the electric car company announced disappointing first-quarter vehicle deliveries. Nvidia, Alphabet and Microsoft shares also closed in the red.

The S&P 500 rose 10% in the first quarter, the index's strongest first quarter since 2019. Driving the rise in the quarter was investors' bets that inflation would fall enough for the Fed to begin cutting interest rates even as the economy continues to grow. Nasdaq increased 9% in the first quarter thanks to the 'fever' of artificial intelligence (AI) of which chip stock Nvidia is the focus.

US economic data in recent days show that the US economy is strong and inflation is decreasing slowly. The core personal consumption expenditures price index (PCE) - the Fed's preferred inflation measure - increased 2.8% year-on-year, 0.8 percentage points above the Fed's 2% inflation target. The manufacturing purchasing managers index (PMI) released by the Institute for Supply Management (ISM) on Monday showed that the manufacturing sector returned to growth for the first time since September 2022.

Speaking on Tuesday, two Fed branch presidents, Mary Daly of the San Francisco Fed and Loretta Mester of Cleveland, both predicted the Fed would lower interest rates this year but said the start would not happen soon.

In the interest rate futures market, traders are betting on a 63% chance of the Fed starting to cut interest rates in June, from about 70% last week, according to CME's FedWatch Tool.

The price of WTI crude oil futures in New York increased by 1.44 USD/barrel, equivalent to an increase of 1.72%, closing at 85.15 USD/barrel. The price of Brent oil futures in New York increased by 1.53 USD/barrel, equivalent to an increase of 1.75%, closing at 88.94 USD/barrel.

Oil prices rose on renewed worries about supply disruptions as geopolitical tensions escalated in the Middle East and Ukraine had another drone attack on a major refinery of Russia.

'A new week, a new month and a new quarter begin with an escalation of tensions in the Middle East with Iran's indirect involvement,' analyst Tamas Varga of oil brokerage firm PVM Oil said in a report today. Tuesday on the dynamics of oil price increases.

Iran - a member of the Organization of the Petroleum Exporting Countries (OPEC) - accused Israel of causing Monday's airstrike against the Iranian consulate in the Syrian capital Damascus. The attack is said to have left seven officers dead.

While Israel has not yet claimed responsibility for the attack, Iran announced on Tuesday that it would retaliate. This is considered an important escalation of tension in the Israel-Hamas war in the Gaza Strip. Ms. Varga said

that if Iran is directly involved in the war, the crisis in Gaza will spread to the Middle East and could affect crude oil supplies.

Tuesday's attack by Ukraine targeted Russia's largest oil refinery, located in the Tatarstan region 1,300 km southeast of Moscow. Russia, a member of the OPEC+ alliance, has continuously suffered attacks from Ukraine targeting oil refineries recently. This increase in tensions could also cause Russia's crude oil supply to decline.

Pressure from interest rate prospects also caused bitcoin prices to decline. The world's largest virtual currency has dropped for two consecutive days, falling below the \$65,000 mark. According to data from Coinmarketcap.com, the bitcoin price at 7am this morning Vietnam time was more than 64,900 USD, down more than 6% compared to 24 hours ago and down nearly 8% compared to a week ago.

Just on Monday, bitcoin's price was above the \$70,000 mark. Currently, bitcoin prices have dropped about 11% compared to the record level of over 73,000 USD set in mid-March.

In addition to pressure from interest rates, bitcoin prices also decreased because the USD increased sharply to a 5-month high. Not to mention, a 'shark' with a large bitcoin holding transferred more than 4,000 bitcoins to the Bitfinex exchange on Monday evening US time. Data from CryptoQuant shows a spike in bitcoin reserves - a sign of increased selling - and this coincided with a drop in bitcoin prices on Monday night.

However, if calculated from the beginning of the year, bitcoin's price has still increased by about one and a half times.

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