STOCKS SLIDE AS RATE HIKE ANGST IS BACK

All S&P 500 areas decline; Dow sees worst day in May

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The Dow tumbled sharply Tuesday and posted its worst day in May as a stronger U.S. dollar and mixed economic data rattled investors.

After returning from a three-day holiday weekend, investors sent the Dow Jones industrial average down for a second straight session. After losing more than 200 points earlier in the session, the blue chips finished down 190 points, or 1%, to 18,041.54.

The Standard & Poor's 500 index dropped 1% to 2104 and the Nasdaq composite index skidded 1.1% to 5033.

The downturn was broad-based as all 10 of the S&P 500 sectors were lower and all 30 Dow stocks dropped.

The dollar rose sharply against the Japanese currency, increasing to 123.21 yen from 121.55 yen. Oil prices took a hit as U.S. benchmark crude dropped 2.8% to $58.05 a barrel.

The Dow's big drop was due in large part to renewed fears that interest rate hikes from the Federal Reserve might come sooner than expected this fall.

While the Federal Reserve last week in the minutes of its April meeting said a June rate hike is "unlikely," a speech Friday by Fed chair Janet Yellen suggested that a rate hike is still on the table for later this year if the economy continues to strengthen and inflation continues to tick higher and closer to the Fed's 2% mandate.

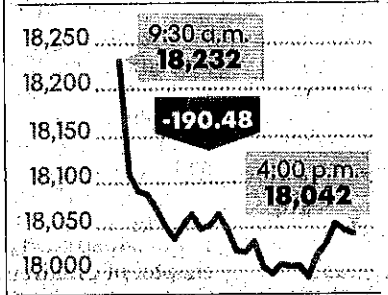
A solid April durable goods orders report released early Tuesday gave credence to the idea that the Fed may move earlier and more aggressively than Wall Street currently expects. Most Wall Street pros see the first rate hike coming no earlier than September and many expect just one rate hike in 2015. Dollar strength is again hurting investment, as well.

"It is the strength of the durable goods report that built on last week's core CPI reading (which showed inflation at the consumer level rising more than expected); the combination has pushed the dollar higher, and pulls forward expectations for the anticipated Fed rate hike," says Mark Luschini, chief investment strategist at Janney Montgomery Scott. "The stronger dollar works to crimp multinational profits."

Despite all the nervousness around the negative impact of rising rates on stock prices, a rise in rates is not necessarily a major negative for stocks, and should be viewed as a return to normalcy, says Brian Belski, chief investment strategist at BMO Capital Markets.

"Fears surrounding higher interest rates ... are bunk," Belski says. "Higher rates are a function of an improving economy."

DOW JONES INDUSTRIAL AVG.



WEDNESDAY MARKETS

INDEX	CLOSE	CHG
Nasdaq composite	5032.75 ▼	56.61
S&P 500	2104.20 ▼	21.86
T-note, 10-year yield	2.14% ▼	0.08
Oil, light sweet crude	$58.34 ▼	1.38
Euro (dollars per euro)	$1.0872 ▼	0.014
Yen per dollar	123.05 ▲	1.52

SOURCES USA TODAY RESEARCH, MARKETWATCH.COM