

# 1,033-point drop is Dow's second-largest in history

Plunge puts stock index in correction territory

Adam Shell  
USA TODAY

The Dow Jones industrial average plunged 1,033 points Thursday, its second-worst drop in history, extending its losses this week to more than 10% and putting it officially into correction territory for the first time in since early 2016.

The blue-chip stock average's drubbing has been fueled by fears that a long period of low interest rates and tame inflation that have boosted the economy and fueled the rapid rise in stock prices for years may be coming to an end as economic conditions improve.

"The Dow has been hit by a tsunami of volatility," says Paul Schatz, president of Woodbridge, Conn.-based investment management firm Heritage Capital. "The market is repricing in a lot of factors at once. And rates have run up

fast. The market always has a tough time when things happen in a linear fashion."

On Thursday, the yield on the 10-year Treasury note ticked up to a four-year high of 2.88%, sparking fears that rates could quickly run up to the key 3% level.

The stock market also has been upended by an unwinding of a popular trade that relied on market volatility to remain calm. But that trade has turned

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bad amid wild price swings that have turned suddenly violent since the market peaked Jan. 26. Sparking the turbulence was a report last week showing that hourly wage growth rose at its fastest pace since 2009. That strong wage data sparked fears of coming wage inflation, which intensified worries that the Federal Reserve could increase rates more this year than the three times it has signaled.

"The market has undergone a psy-