

Stocks slip as surging U.S. bond yields fuel investors

Global shares fell on Tuesday, crushed by a surge in U.S. bond yields that lifted the dollar after Federal Reserve officials served a reminder that borrowing costs won't drop any time soon.

The Fed's outlook has pummelled other rate-sensitive assets such as oil, which slipped again on Tuesday.

U.S. 10-year Treasury yields have soared above 4.5% to their highest since late 2007 and on Monday staged their biggest one-day rise since early September, a move that punctured a rally in stocks, commodities, and currencies.

Global equities fell for a second day on Tuesday, leaving the MSCI All-World index down 0.34%, near its weakest in four months.

In Europe, just healthcare, consumer staples and financials managed to stay in positive territory, but those gains were offset by losses elsewhere to leave the STOXX 600 down 0.4%.

U.S. stock index futures suggested a modestly weaker start on Wall Street later, down 0.1%.

The latest catalyst was two Fed officials saying on Monday monetary policy will need to stay restrictive for "some time" to bring inflation back down to the central bank's 2% target.

"In the U.S., there seems to be some growth exceptionalism - the U.S. consumer is holding growth together and in the medium term, it favours flows into the U.S.," Samy Char, chief economist at Lombard Odier in Geneva, said.

"Take those three things - relatively high oil prices, relatively high U.S. real yields, and you have a relative strong U.S. dollar - that is basically drawing oxygen out of the air for financial markets, and it is creating a relatively challenging environment," he said.

The yen is a particular casualty of the dollar's march to 10-month highs and the rise in Treasury yields right now, given the yawning gap between U.S. interest rates and those in Japan.

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