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Stocks tumble over uncertainty in Chinese economy

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“Pension funds and private **investors** alike will be licking their wounds and wondering when the sell-off is going to come to an end”, said Hargreaves Lansdown senior analyst Laith Khalaf. “This is about growth”.

The **S&P 500** shed 3.19 per **cent** in the session and 5.77 per **cent** for the week – a loss representing *some* $US1.14 trillion in share value. And **last** week’s surprise **devaluation** of **China’s** yuan by **Beijing** sent shockwaves through other emerging countries that might face tougher competition from lower-priced **Chinese exports**. The *new* bout of selling followed news of a survey showing manufacturers on the mainland continue to contract. At *its* close **Friday**, the stock was down *more* than 21 **percent** from *its* 52-week high on April 28.

But for nervous investors, the hit to their 401(k) retirement accounts can be troubling.

“Sentiment is shifting in a very negative way and you really are seeing no place to hide today”, said David Levy of Kenjol Capital Management. “If the **Fed** doesn’t **raise** rates, it could signal the **economy** is truly weaker than everyone previously expected”. While the **United States** is now more tied to those emerging markets, “the U.S. can go it alone if need be”.

Clearly, there is lots of softness in the **stock market**, and the recent swoon seemingly spared no *one*.

Apple fell 3.8 per cent to $108.34 as investors continued to fret over its prospects in **China**, a key growth **market** for the iPhone maker.

In the coming days, investors will have to decide whether the selling is part of summer squall that will soon pass or the start of tougher times for the global economy that could weigh on stock markets for **months**. **European** and Latin American markets were all in the red too. The Caixin/Markit manufacturing index showed activity in China’s factory sector shrank at its fastest pace in nearly 6-1/2 years in August, heightening fears of a slowdown in the world’s second-biggest economy.

But the **Fed** appeared to pour cold water on those *expectations* earlier this week, after minutes released from July’s meeting suggested members of the **policy** committee weren’t convinced that the **global** economy could weather a hike at this point. This trend spread to the Tokyo market, with the **Nikkei** Stock Average marking its lowest **level** in about 3½ months on Friday. In Britain, the **FTSE 100** index was down 2.8 percent.

In Asia, the **Shanghai Composite** index suffered another steep drop of 4.3 percent.

The **Hang Seng** index in **Hong Kong** was down 2.4 percent for a **weekly** loss of 7.4 percent. The yield on the 10-year **US** Treasury fell to 2.05 percent from 2.07 percent, while the 30-year slipped to 2.74 percent from 2.75 percent.

In the commodity markets, **gold** gained $6.40 to settle at $1,159.60 an ounce. Friday's fall, to $39.86, was just the latest indicator of a vast shift in the energy landscape over the past **year**.

A wide range of commodities have been hammered this year as demand for raw materials has cooled and as the U.S. **dollar** *gains* strength against currencies used by developing countries.

Chinese Market Crash – First and foremost, what is being considered as the largest driving factor to the sell off we saw in US markets on Friday is the Chinese market crash.

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