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HD **U.S. Stocks Sharply Lower**

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Stocks tumbled and **bonds** rallied as lingering worries about global growth and geopolitical tensions flared up at a vulnerable time for financial markets.

The Dow Jones Industrial Average sank 264.26 points, or 1.54%, to 16945.80.

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Investors shunned stocks and other assets perceived to be risky, opting to park money in relatively safe bets such as Treasurys. Concerns about global growth came to the fore this week, after **China** signaled it wouldn't offer more aggressive stimulus measures and Europe's economy showed signs of further slowdown.

There was no single driver behind Thursday's move, traders and money managers said. Rather, it represented building unease that was exacerbated by end-quarter portfolio reshuffling and thin trading volumes.

Nevertheless, the moves across stocks were broad. The S&P 500 fell 32.31 points, or 1.6%, to 1965.99.

The CBOE Volatility Index, the so-called fear gauge, spiked 18% to a 15.64, the highest level since early August. The figure tracks anticipated moves in the S&P 500 index.

Shares of technology and Internet companies, which tend to be more sensitive to the growth outlook, were among the biggest laggards. The Nasdaq Composite Index fell 88.47, or 1.9%, to 4466.75. Weighing on the Nasdaq were Apple Inc. shares, which slid 3.5% after the **company** yanked an update to its latest iPhone, iPad and iPod software.

"There's just a convergence of many negatives at once, and on a day when there's less volume," said Tom Carter, managing director at brokerage JonesTrading. "It tends to accentuate the move."

The slide in stocks extends this week's pullback from record highs. Though the S&P 500 hit a fresh all-time high as recently as last Thursday, the broad-market index is now off 1.9% this month. It is still up 6.4% for the year.

Much of the day's heaviest selling took place in the first hours of trading. Stocks largely steadied by mid-day and pared some of their losses toward the end of the session.

Despite the scale of the selloff, many traders say there was no shortage of buyers willing to snap up shares at cheaper prices. Others said much of the day's action was being driven by short-term investors like hedge funds, rather than big mutual funds and others making long-term bets around a souring economy.

"Most of the folks I talk to believe that this is a dip," said Joe Spinelli, head of single stock trading for the Americas at Deutsche Bank. "This is a shorter-term, technical dislocation versus some change in the fundamental stance."

Traders also said thin trading volumes due to the Rosh Hashanah holiday likely exacerbated the size of Thursday's move.

Helping drive the losses were signs of deepening tensions between Russia and Western countries, following a report that a draft law in Russia could open the door for courts there to seize foreign assets in Russian territory. Back-and-forth sanctions over the conflict in Ukraine has curtailed economic growth in Europe, a major trading partner with Russia, and the report gave investors yet another reason to seek out the perceived safety of government **bonds**.

The benchmark 10-year note was 16/32 higher, yielding 2.511%. The yield fell to a two-week low, down from 3% at the start of the year. Yields fall as prices rise.

Bond prices have receded in recent weeks as the tensions in Ukraine have cooled. The Russia reports served as a reminder to investors of that region's instability in the recent past and its potential drag on growth in Europe.

"It is the fear trade kicking in," said Thomas Roth, executive director in the U.S. government bond trading group at Mitsubishi UFJ Securities (USA) Inc. in New York.

The yen, a haven currency, strengthened against the dollar amid the market turbulence, although the Japanese currency remains near six-year lows. One dollar bought 108.67 yen in late New York trading on Thursday, down from 109.04 late Wednesday.

Gold, another safe haven, rose 0.2% to $1,221.20 an ounce.

Some of the day's move was driven by investors taking advantage of the end of the quarter to reshuffle some bets. Some portfolio managers tweaked investments by selling stocks and riskier **bonds** and moving into safer Treasurys--though potentially just temporarily, traders and analysts said. Prices of **bonds** sold by lower-rated U.S. companies, known as junk **bonds**, fell on Thursday, extending this month's selloff.

Many investors say they are still optimistic about the outlook for U.S. stocks due to the country's slow-but-steady economic growth, improving corporate profits and an accommodative Federal Reserve.

"We believe the domestic economy continues to be OK--not great, but OK," said Lew Piantedosi, who oversees about $11 **billion** in **equity** growth funds at asset-manager Eaton Vance. "It's two steps up, one and a half steps back. I don't think there's going to be any change to that given the environment we find ourselves in."

Economic data on Thursday was mixed. Weekly jobless claims came in lower than expected, but orders of big-ticket items showed a bigger-than-expected drop in August. A third reading on second-quarter gross domestic product is due Friday, with economists expecting an upward revision to 4.6% growth from 4.2%.

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