

Significant Decline in Major US Stock Indices on March 10

Technical and Investment Indicators Suggest a Potential Pause in the Market Plunge

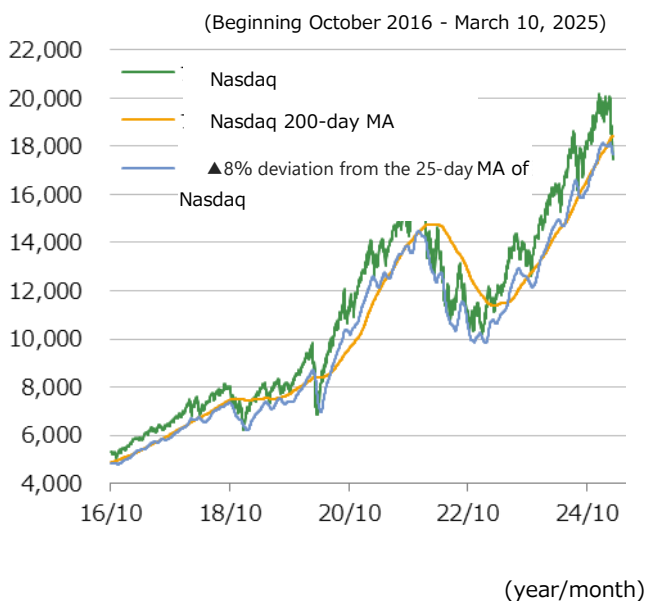
March 11, 2025

US stocks plunge on fears of US recession due to Trump tariffs

On Monday, March 10, major US stock indices experienced a substantial decline. The Nasdaq Composite Index fell by 4.0% compared to the previous week, marking a 13% drop from its all-time high in December, entering correction territory. The S&P 500 also declined by 2.7% from the previous week, breaking below its 200-day moving average, a key support level. The trigger for the decline was President Trump's remarks during a media appearance, where he did not unequivocally dismiss the possibility of an economic recession due to tariff hikes and government spending cuts, exacerbating market participants' anxiety. Notably, high-tech and cyclical stocks, which were once the main drivers of the Trump rally, saw significant declines.

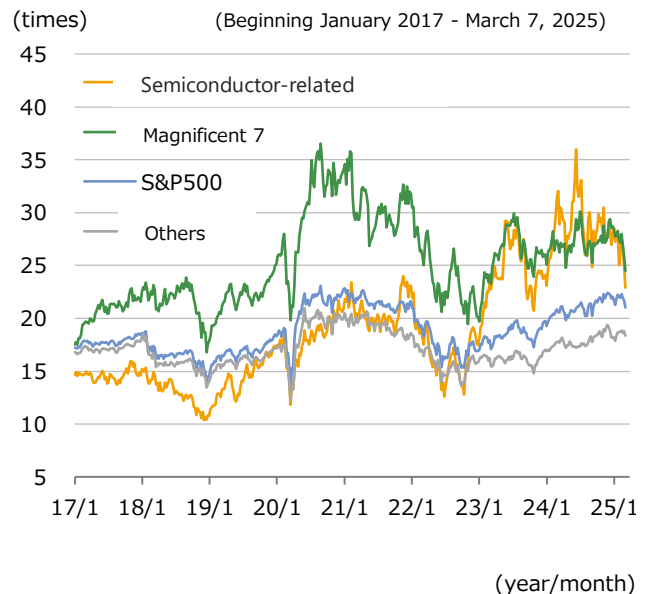
The Nasdaq Composite Index has already fallen below the 25-day moving average's 8% deviation, a level that historically indicates a short-term rebound during market plunges (as of March 10, it was just below 17,700). Additionally, the forecasted P/E ratios for semiconductor-related stocks, which led the recent decline, have reached the lower end of their range for 2024, suggesting that US stocks may soon find a bottom. However, despite some of the declines being priced in, the upcoming events related to tariffs, such as the imposition of tariffs on steel and aluminum products on March 12 and the full announcement of reciprocal tariffs on April 2, are expected to keep the market nervous in the near term.

Chart 1 Nasdaq Composite Index



(Source: LSEG : Compiled by Daiwa Asset Management)

Chart 2: S&P 500 component stocks' expected PER by sector



※Forecast is 12 months ahead; bottom-up aggregate by LSEG as of 3/7

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