TREASURIES-Bonds gain as stocks plunge drives safety bid

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* Bonds rise on forced stock sales amid recession fears

* Safety bids for bonds curbed as U.S. stocks off lows

* 30-year bond yield briefly drops to 45-year low (Adds quotes, updates prices, changes byline)

By John Parry

NEW YORK, Oct 24 (Reuters) - U.S. Treasury debt prices rose on Friday, as fears of a deep recession drove investors to liquidate stocks and other risky assets while they scrambled for cash and low-risk government bonds.

Wall Street fell hard as funds were forced to sell stocks in a global equity rout to raise money to meet investors' redemptions. At their session lows, the three major U.S. stock indexes were down between about 6 percent and 7 percent. Earlier, Japan's Nikkei .N225 lost almost 10 percent. A benchmark European stock index dropped as much as 9.8 percent before recouping some losses to trade down about 5 percent near the close.

"I would characterize this as a shell-shocked mentality out there," said Thomas di Galoma, head of government bond trading at Jefferies & Co. in New York. "It's all the deleveraging of equities...It's causing an issue for everyone."

The bulk of the safe-haven demand centered on short maturities, especially Treasury bills. Rattled investors were aiming to minimize risks on all fronts in a treacherous climate, with risk aversion -- which had which receded earlier this week on signs of thawing in global money markets -- returning with a vengeance.

"It looks like giant forced sales, forced liquidation, unwinding of leverage globally. The velocity of the unwind is just amazing. Investors right now are still in redemption mode and liquidation," said Lawrence Glazer, managing partner of Mayflower Advisors in Boston.

The dollar's meteoric recovery against an array of currencies including the euro and sterling reflects hefty flows into the U.S. currency, a chunk of which have been parked this week in the dollar-denominated Treasury market, analysts say.

"When the dust settles, when you look at yields and returns, investors in short term Treasuries and cash are not going to be rewarded, but for the time being emotion is driving those decisions," Glazer said.

Hedge funds and mutual funds were raising money to meet redemptions or in anticipation of redemptions, he said.

Two-year notes <US2YT=RR> traded up 8/32 in price for a yield of 1.47 percent, down from 1.60 percent late Thursday.

"The stock market volatility is causing all sorts of volatility and inter-market moves. You have the dollar moving and unwinds of carry trades, more deleveraging," said Ted Ake, executive director and head of bond trading with Mizuho Securities USA in New York.

"If the stock market holds in, my guess is you will see Treasuries trade a little bit worse," Ake said.

Before the U.S. stock market opened, trading in stock futures was frozen when they lost the maximum amount permissible. After stocks plummeted at the open, the market pared losses and curbed safety bids for Treasuries, bringing them down from their initial highs, analysts said.

The yield on three-month bills <US3MT=RR>, which moves inversely to its price, fell 26 basis points to 0.81 percent.

Investor demand for long-dated Treasuries was also intense in this exodus from stocks to bonds. In early trade, the yield on 30-year bonds <US30YT=RR> briefly dropped to 3.88 percent in New York, a level not seen since 1963, according to Reuters data.

The benchmark 10-year note <US10YT=RR> was up 18/32 in price for a yield of 3.62 percent, versus 3.69 percent late on Thursday.

A barometer of risk aversion, the three-month "TED" spread, ballooned to 272 basis points early Friday from 258 basis points on Thursday. The spread is the difference between three-month rates to borrow dollars in the London interbank market and the perceived "risk-free" rate on three-month T-bills.

On the data front, the National Association of Realtors said September existing home sales rose to a higher than expected annualized rate of 5.18 million units from August's 4.91 million annualized rate.

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