

MarketWatch

Stocks fall for 3rd straight session on unrelenting oil rout

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S&P 500, Dow industrials negative for the year

It has been dark times lately for oil-related investments.

U.S. stocks fell for a third-straight day Wednesday, with the S&P 500 joining the Dow industrials in negative territory for the year, as earlier gains evaporated alongside a turn south in crude-oil prices.

The Dow Jones Industrial Average DJIA, -0.43% fell 75.70 points or 0.43%, at 17,492.30. The decline for the blue-chips gauge marks an intraday swing of more than 300 points in a turbulent day for equities, which have been taking their cues from the battered commodities complex.

The S&P 500 index SPX, -0.77% closed down 15.97 points, or 0.8%, to 2,047.62. That pushed the broad stock-market index into negative territory for the year, down 0.6%, joining the Dow industrials, which is showing a 1.9% yearly decline. A fall in the technology sector, off 1.5%, and consumer-discretionary shares, down 1.2%, weighed on the S&P 500.

Tech selling also weighed on the Nasdaq Composite, which took the brunt of the beating COMP, -1.48% closing 75.38 points, or 1.5%, lower at 5,022.87.

An early rebound in oil-and-commodity prices boosted energy-and-materials stocks and helped extend advances for the main indexes earlier Wednesday, following a two-day slump largely driven by oil's tumble.

But oil futures then turned decidedly lower. A big weekly climb in U.S. distillate supplies dragged prices for heating oil down, undermining the first decline in crude -oil supplies in nearly three months, according to data from the Energy Information Administration. That climb rattled investor confidence as fears of an oil supply-glut resurfaced, and oil futures XLE, +1.31% extended their losing streak to four sessions.

"This is playing into how much lower [oil] will go. There's a really big oversupply issue here [in crude oil] and, while that's great for consumers, there are big implications for markets," said Mark Kepner, equity trading veteran at Themis Trading.

The stock-market rout in the last three sessions, fueled by the oil slump, has pushed many international equity indexes over two standard deviations below their 20-day moving average, according to data from broker dealer WallachBeth Capital. These technical levels indicate that equity markets are hitting oversold levels, said Ilya Feygin, WallachBeth's managing director.

"You don't have to be a rocket scientist to come to a conclusion that as supply falls and demand rises, the two lines will eventually cross and balance will be restored. The question, of course, is when not if," said James Meyer, James Meyer, chief investment officer at Tower Bridge Advisors, in emailed comments.

News that oil companies cut their dividend, such as Kinder Morgan Inc. KMI, +6.93% were at the same time alarming and an indication that the energy market is closer to the end of the cycle, analysts said.

Still, the energy sector was the second-best performing sector on the S&P Wednesday, up 1.3%, after the materials sector, which climbed 3%.

Soaring shares in DuPont DD, +11.85% and Dow Chemical Co. DOW, +11.93% following news they are in advanced talks to forge a megamerger, helped limit losses in the main stock indexes. The rise in these stocks had been one of key factors lifting stocks earlier in the session.

This “serious M&A activity is propelling stocks off their bottom range” but also points to the fact that “finding organic revenue and earnings growth is getting harder for companies in the industrial space,” said Jim Tierney, chief investment officer of AllianceBernstein’s Concentrated U.S. Growth Fund.

Individual movers: Kinder Morgan Inc. KMI, +6.93% climbed 6.9%, reversing earlier losses, after the energy giant slashed its dividend late Tuesday.

Yahoo Inc. YHOO, -1.29% finished 1.3% lower, after the Internet company confirmed reports it was suspending its plan to spinoff its stake in Chinese e-commerce giant Alibaba Group Holding Ltd. BABA, -1.14%

Retailers came under pressure again Wednesday after Costco Wholesale Corp. COST, -5.42% and Lululemon Athletica Inc. LULU, -13.12% continued the trend of weak results. Costco’s share fell 5.4% as the warehouse retailer posted weaker-than-anticipated quarterly profit while Lululemon was down 13.1% after the sportswear seller reduced its sales outlook.

Other markets: European equities SXXP, -0.34% fell for a second straight session, with mining and oil stocks leading the way down. Most Asian stocks ADOW, +0.21% closed with losses, with better-than-expected economic reports failing to stem the selling. A key dollar index DXY, +0.38% declined about 1.1%, aiding dollar-denominated commodities. Gold GCG6, -0.46% edged higher.

Economic data: U.S. wholesale inventories fell 0.1% in October, missing economists’ expectations.