

Marketwatch

U.S. stocks swing to session lows on China worries

Apple slips below \$100, KB Home plunges, Macy's rises

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U.S. stocks slumped to session lows on Thursday on the back of persistent worries about the health of the Chinese economy.

Global markets have been taking their cues from China all week and a halt in the China stock market, following a 7% fall in the Shanghai Composite Index and reports of the possibility of further devaluation of the yuan Thursday have frightened investors.

This is the second time this week that China's newly implemented circuit breakers have crossed over and infected the broader U.S. market. The China Securities Regulator on Thursday said it would suspend its four-day-old circuit-breaker system, saying the mechanism didn't work out "as expected."

Volatile crude-oil prices also helped fuel heavy selling, hitting large energy producers and drillers.

On Thursday, the S&P 500 index SPX, -2.31% fell 42 points, or 2.2%, to 1,946, with all 10 main sectors trading lower. Technology and financials led the losses.

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The Dow Jones Industrial Average DJIA, -2.28% was down 375 points, or 2.2%, to 16,531, with 29 of its 30 members in negative territory. J.P. Morgan Chase & Co. JPM, -4.00% and Boeing Co. BA, -4.24% paced the losses, both down around 4%.

Meanwhile, the Nasdaq Composite COMP, -2.94% was getting walloped, down 141 points, or about 3%, at 4,694.

"There is no panic-selling in the market today, but definitely some concerns surrounding China's market," said **Mark Kepner**, managing director of international sales and trading at **Themis Trading**.

"Stock indexes broke through important support levels and the trend has been down. How markets react to the jobs report tomorrow will depend on what happens overnight in China," **Kepner** said.

Meanwhile, the CBOE volatility index, also known as Wall Street's Fear Gauge, jumped 15% to 23.77, above the historical average of 20. The Vix index gained more than 30% so far this week.

Some analysts suggested that relatively high valuations made markets prone to wild swings whenever bad news hits airwaves.

"The stock market is still expensive and vulnerable to outside shocks. We are in the middle of a correction, but it is not the end of the world," said Jack Ablin, chief investment officer at BMO Private Bank.

"Friday's jobs report will remind a lot of bears out there that the domestic economy is still OK," Ablin said.

A report on weekly jobless claims showed that in 2015 the number of Americans who applied for new unemployment benefits fell to the lowest level in 42 years. Friday brings the closely watched nonfarm-payrolls report, with analysts polled by MarketWatch expecting 215,000 new jobs created last month.

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The fresh turbulence in Chinese financial markets came after the People's Bank of China allowed the yuan USDCNY, +0.4360% to fall further against the dollar. Chinese stock markets stopped trading after about 30 minutes, making it the shortest trading day ever for Chinese equities.

Read more: China blames speculators for weakened yuan

Oil blues: A continued rout in oil prices also depressed the investing mood on Thursday. Crude oil CLG6, -2.03% skidded 1% to \$33.65 a barrel, briefly trading around a 12-year low.

The slump hit energy stocks with 33 of the 40 shares on the S&P 500 energy sector trading lower. Cheasapeake Energy Corp CHK, -5.98% and Williams Companies, Inc. WMB, -9.93% led the losses, down more than 6%.

Movers: Apple Inc. AAPL, -4.05% shares tumbled, dropping below \$100 after a Wall Street Journal report said the company has scaled back iPhone production.

Read also: Is Apple a value stock or a value trap?

Yahoo Inc. YHOO, -5.97% slumped after reports the Internet giant is set to cut at least 10% of its workforce.

KB Home KBH, -14.29% reported earnings that fell short of the FactSet consensus estimates, sending the shares plunging.

Shares of Macy's Inc. M, +2.21% rose after the retailer outlined plans to cut jobs and spending late Wednesday.

Finish Line Inc. FINL, -10.14% shares slumped after the athletic-wear retailer posted a loss for the third quarter.

Constellation Brands Inc. STZ, +4.56% gained after the wine and spirits company reported earnings ahead of expectations.

J.C. Penney Co. Inc. JCP, +3.50% shares rallied after the retailer reported same-store sales rose 3.9% in the holiday period. Signet Jewelers Ltd. SIG, +4.74% also reported a gain in sales for the season, up 4.9%.

Other markets: European stocks were hit hard by the Chinese jitters, with the Stoxx Europe 600 index SXXP, -2.21% on track for a three-month closing low.

Gold GCG6, +1.48% on the other hand, benefited from safe-haven flows and rose 1.5% to \$1,108 an ounce.

The dollar traded mixed against other major currencies, but the ICE dollar IndexDXY, -0.98% lost 0.5%, primarily as the yen USDJPY, -0.74% euroEURUSD, +1.4100% and Swiss franc CHFUSD, +1.4502% strengthened against the greenback.

