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U.S. Stocks Decline as Caution Returns Over Slower China Growth

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By Oliver Renick

(Bloomberg) -- U.S. stocks declined, after the biggest one- day jump in four months, amid an oil-led selloff in energy producers as worsening Chinese data reignited concern about the impact of the country's slowdown on global growth.

Energy companies retreated with crude prices, after capping back-to-back weekly advances for the first time since November.

Exxon Mobil Corp. sank 2.4 percent before its earnings report Tuesday. Gains among Internet companies helped put a floor under equities, with Facebook Inc. and Alphabet Inc. rising more than 1.1 percent. Netflix Inc. increased 3 percent amid speculation Apple Inc. could make an offer for the online video company.

The Standard & Poor's 500 Index fell 0.4 percent to 1,932.16 at 2:18 p.m. in New York, paring a drop of as much as 1 percent. The gauge rallied 2.5 percent on January's final trading day to trim its worst start to a year since 2009. The Dow Jones Industrial Average lost 76.57 points, or 0.5 percent, to 16,389.73, while the Nasdaq Composite Index slipped 0.3 percent.

"The weak numbers out of China and the lower oil price are keeping a lid on the market," said Benno Galliker, a trader at Luzerner Kantonalbank AG. "I actually expect a positive start into the new month but the market is still shaky and February will be not easy. The focus is on China, oil and earnings."

Worries about a slowdown in the world's second-biggest economy and a rout in oil have roiled global equities this year.

While the S&P 500 recouped some losses in the past two weeks, paring its January drop to 5.1 percent, the respite may be short-lived. China's official factory gauge today signaled a record sixth month of deterioration, while oil resumed a decline.

The main U.S. equity gauge is 9.4 percent away from an all- time high set in May, and had rebounded 4.4 percent as of Friday from a 21-month low on Jan. 20 led by a nearly 12 percent climb by energy producers.

Amid the turbulence, investors have been loading up on shares of companies with the sturdiest earnings momentum.

Qualities that define winning investments no longer include the high-risk, high-reward potential of companies whose balance sheets are laden with debt. Such a shift has been a bearish signal for stocks in the past, often marking the end of bull markets.

More than 100 S&P 500 companies are due to report results this week, with Google-parent Alphabet Inc. and Mattel Inc. among those doing so today. Analysts estimate profits at index members fell 5.6 percent in the fourth quarter, better than Jan. 15 predictions for a 7 percent slump. Of those that have released financial results, 79 percent beat profit projections, while 49 percent topped sales estimates.

Investors are also assessing economic releases for indications on the strength of the U.S. economy. Data today showed manufacturing shrank in January for a fourth consecutive month as businesses cut staffing plans. A separate report showed household spending cooled in December as Americans used gains in incomes to boost their savings, with little evidence that inflation is gaining traction.

Fed's Fischer

Attention will turn later in the week to jobs data, with a reading on private payrolls growth scheduled for Wednesday and the government's January jobs report due Friday. Federal Reserve Vice Chairman Stanley Fischer said today it was too difficult to gauge the impact on the U.S. economy from recent turmoil in financial markets and uncertainty over China, leaving policy makers undecided about what to do next.

"This is a little move down after a big day on Friday, so you combine that with weak news from China on the manufacturing side and it gives an excuse to sell a little bit," said **Mark Kepner**, an equity trader at Chatham, New Jersey-based **Themis Trading LLC**. "Energy is lower today, Europe is down and I think we're just following along here in the U.S."

The Chicago Board Options Exchange Volatility Index increased 1.7 percent Monday to 20.54. The measure of market turbulence known as the VIX rose for a third straight month in January, the longest such streak in 2 1/2 years.

Energy companies in the S&P 500 lost 2.5 percent, the most among the index's 10 main groups. Utilities and phone companies rose more than 1 percent, while consumer and technology companies were little changed.

Kinder Morgan Inc. and Chesapeake Energy Corp. fell at least 8.5 percent to lead the slide in energy. West Texas Intermediate crude futures sank 5.9 percent after rising to a three-week high on Friday.

Financials, Industrials

Financial shares slid 1 percent. Asset manager Franklin Resources Inc. erased 3.9 percent to lead declines. Banks in the benchmark index sank 1.4 percent, with Bank of America Corp. and JPMorgan Chase & Co. down more than 1.7 percent. Yield on the U.S. 10-Year U.S. Treasury bond has declined 14 percent since the start of the year.

Industrial companies also fell, led by a 7.3 percent drop in Roper Technologies Inc. The company reported quarterly earnings below analysts' estimates, and reduced its outlook for 2016 profits. Raytheon Co. and Honeywell International Inc. lost at least 1.2 percent.

CenterPoint Energy Inc. gained 4.3 percent to bolster an advance among utilities. The owner of Houston's electric utility said it may sell or spin off to shareholders its stake in Enable Midstream

Partners LP as falling fuel prices weigh on the pipeline owner's value. The company's 2016 profit outlook also exceeded estimates.

Questar Corp. rallied 22 percent after Dominion Resources Inc., the owner of Virginia's largest utility, said it will buy the company for about $4.4 billion to expand its holdings in better-performing natural gas assets.

Google parent Alphabet Inc. climbed to a 2016 high and Facebook extended its climb to a fresh record, offsetting some of the pressure from the energy group's retreat. An index of Internet companies rose for a third session, the longest streak in more than a month. Twitter Inc. surged 7.7 percent, on track for its best advance in almost four months, after a report in The Information said investor Marc Andreessen and private equity firm Silver Lake have "considered some sort of deal."