Marketwatch

Dow, S&P 500 end lower as oil drops; Nasdaq bucks trend

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Investors are cautious ahead of next week's Fed meeting

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Oil is darkening the mood in the market.

By Sue Chang and Anora Mahmudova

The Dow industrials and the S&P 500 closed in negative territory Wednesday in the wake of slumping crude-oil prices, erasing earlier gains for the major benchmarks, while the tech-heavy Nasdaq bucked the losing trend.

The Dow Jones Industrial Average DJIA, -0.18% slid 31.98 points, or 0.2%, to close at 18,034.77 even as Apple AAPL, +1.49% climbed 3.6% as analysts at RBC Capital Markets outlined five reasons the tech giant is still a buy.

However, the tech giant's gains were overshadowed by big declines in International Business Machines Corp. IBM, -1.13% and Boeing Co. BA, -0.85%

The S&P 500 index SPX, -0.06% fell 1.25 points to end at 2,125.77, weighed by a 1.2% drop in the energy sector.

The Nasdaq Composite Index COMP, +0.36% advanced 18.52 points, or 0.4%, to close at 5,173.77.

A rebound in Treasury prices had earlier buoyed the market, according to **Mark Kepner**, managing director of sales and trading at **Themis Trading**. "The stable bond market gave investors some comfort, encouraging them to buy some of the dip," he said.

The benchmark 10-year Treasury TMUBMUSD10Y, -0.81% slid 4.3 basis points to 1.691% after touching its highest level since June 23 on Tuesday.

But as crude oil's decline accelerated, stocks failed to capitalize on their gains. A report on oil supplies published by the Energy Information Administration showed inventories declined by 600,000 barrels last week, much smaller than the 14.5 million barrel drop from the week before. Oil prices briefly spiked after the report, but have since turned lower as analysts concluded that the sector is still bogged down by excess inventory. West Texas Intermediate crude for October deliveryCLV6, +0.94% settled at a two-week low.

All three stock-index gauges on Tuesday suffered big losses on a sharp slump in energy prices and rate increase fears.

“There is not a strong driver or a data point for investors to trade on and there is a lack of a conviction in the market,” said Eric Wiegand, senior portfolio manager at U.S. Bank’s Private Client Reserve, who expects the market to remain choppy going into the Federal Reserve meeting on Sept. 20-21.

The overall narrative, in his opinion, hasn't really changed significantly over the past several months, with investors still preoccupied with central bank policies, global growth and corporate earnings.

“September is probably an easier time for the Fed to raise rates than December, but it really does not matter. Markets by now know that there will be a rate hike in the next six months,” said Maris Ogg, president at Tower Bridge Advisors.

The CME FedWatch Tool is showing a 15% probability of a rate increase next week. Goldman Sachs on Monday cut its September hike odds to 25% from 40% following dovish comments from Fed Gov. Lael Brainard.

“It seems to be all about the Fed and other central banks. Ironically, I think the market will rally when [the rate hike] happens,” said Uri Landesman, president of Platinum Partners. “The market, like you and me, would rather go out in the rain rather than when it’s not sure if it’s going to precipitate.”

The economic calendar was relatively thin on Wednesday. Market reaction to the August import-price index was muted. Import prices slipped 0.2% due to lower oil, while export prices dropped 0.8%, driven by a fall in farm crop prices.