

MarketWatch

Stocks close lower on jitters over ECB scaling back QE

By Sue Chang and Anora Mahmudova
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Alphabet gains 0.5% as it launches smartphone



Reuters

Google's parent Alphabet unveiled its own branded smartphones in a direct challenge to Apple Inc.

U.S. stocks on Tuesday finished in the red in the wake of a report that the European Central Bank could start winding down its quantitative-easing program ahead of schedule.

The ECB may gradually scale back its bond purchases of 80 billion euros (\$89.7 billion) a month before the program's scheduled March 2017 conclusion, Bloomberg reported, citing anonymous eurozone central-bank officials.

"Today may be the day investors have started to prepare for a rate hike around the world and they may be speculating that the ECB won't extend the program after March," said **Mark Kepner**, managing director of sales and trading at **Themis Trading**.

The S&P 500 SPX, -0.59% declined 10.71 points, or 0.5%, to close at 2,150.49 with all sectors, except for rate-sensitive financials, finishing lower. The Dow Jones Industrial Average DJIA, -0.48% fell 85.40 points, or 0.5%, to end at 18,168.45 as **J.P. Morgan Chase & Co.** JPM, -0.04% and **Goldman Sachs Group Inc.** GS, +0.48% topping the winners as banks tend to benefit from higher interest rates. Meanwhile, the Nasdaq Composite Index COMP, -0.66% dropped 11.22 points, or 0.2%, to close at 5,289.66.

The overall mood in the market remained subdued as investors awaited corporate earnings season to kick off in earnest next week and an important report on monthly employment due Friday.

“It’s really quiet ahead of earnings and the election and Investors are mostly keeping a low profile,” said Michael Antonelli, equity sales trader at Robert W. Baird & Co.

Deutsche Bank remains a major market mover with the German bank “having replaced oil as a catalyst for trading,” he said.

On Monday, the S&P 500 and Dow both closed lower on worries over Deutsche Bank DB, +1.18% DBK, +0.46% as well as concerns about the U.K.’s plan for exiting the European Union.

U.S.-listed shares of Deutsche Bank rose 2.7%. Last week, the German lender’s stock had dropped sharply on fears about the U.S. Justice Department seeking a \$14 billion settlement for its sale of mortgage-backed securities. Shares have recovered somewhat amid reports that the actual penalty won’t be as severe.

Peter Praet, executive board member of the European Central Bank warned that a prolonged drop in eurozone bank stocks could curb lending to firms and individuals, underscoring concerns within the ECB about the effect of ultralow interest rates on the region’s weak banks.

Other markets: The British pound GBPUSD, -1.3555% dropped sharply to trade at its lowest levels against the dollar since 1985, as the aftermath of Brexit continued to take hold, pushing the currency lower. The U.K.’s FTSE 100 UKX, +0.63% rose 1.2% as the multinational companies in the index look set to benefit from the weaker pound.

European stocks SXXP, -0.93% moved higher, after Asian markets finished with gains, with Japanese equities leading as Monday’s solid U.S. manufacturing data helped weaken the yen. The ICE U.S. Dollar Index DXY, +0.07% advanced, helped by the British currency’s slump. Oil futures CLX6, -1.37% retreated, while gold futures GCZ6, -0.07% sank.

Economic news: Richmond Fed President Jeffrey Lacker said the Federal Reserve should adopt a strategy of raising interest rates before inflation moves higher like it did in 1994, stressing that “prudent pre-emptive action can help us avoid the hard-to-predict emergence of a situation that requires more drastic action after the fact.” Lacker, who has previously advocated for rate increases, isn’t a voting member of the Fed’s policy-setting panel this year.

Stocks to watch: Alphabet Inc. GOOG, -0.65% GOOGL, -0.66% launched a new smartphone, the Pixel, and its Google Home “personal assistant” speaker system. Class A shares closed up 0.3%, while the Class C shares finished 0.5% higher.

Rival **Apple Inc.** AAPL, -0.10% maker of the popular iPhones, rose 0.4%.

Darden Restaurants Inc. DRI, +0.34% gained 0.6% after the restaurant operator reported fiscal first-quarter earnings that topped Wall Street’s forecasts and raised its fiscal-year guidance above consensus.

Shares of **Summit Therapeutics PLC** SMMT, -10.40% skyrocketed 94% in London while the U.S. listed shares gained 66% after the company said it has entered an exclusive license and collaboration agreement with Sarepta Therapeutics Inc. SRPT, -8.62%

Monthly air traffic data sent shares of **United Continental Holdings Inc** UAL, -2.21% and **Delta Air Lines, Inc.** DAL, -2.17% higher.