

# MarketWatch

## Stock market closes lower after China seizes U.S. underwater drone

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Dow industrials manage to log a sixth week of gains

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U.S. stocks closed lower Friday, with the Dow industrials swinging to a loss, following reports that a Chinese warship seized an underwater U.S. Navy drone in international waters off the coast of the Philippines.

Even as the Dow was curtailed from its advance to the psychologically important 20,000 level, the blue-chip average still nabbed its longest weekly winning streak in more than a year, rising six weeks in a row.

The Dow Jones Industrial Average DJIA, -0.04% which had been up by as many as 71 points earlier, swung to a loss after the Department of Defense announced a Chinese naval vessel took an underwater Navy drone that was collecting water measurements like temperature and salinity. The average finished down 8.83 points, or less than 0.1%, at 19,843.41. The largest blue-chip decliners were Caterpillar Inc. CAT, -0.01% and Goldman Sachs Group Inc. GS, +0.08%

The S&P 500 SPX, -0.18% which had been struggling earlier, declined 3.96 points, or 0.2%, to close at 2,258.07. All but five of the S&P 500's 11 primary sectors rose on the day. The biggest gainers were utilities and real estate, which both closed up 1.2% despite a weak reading on housing starts.

The Nasdaq Composite COMP, -0.36% fell 19.69 points, or 0.4%, to finish at 5,437.16.

"One of the wild cards out there is our relationship to China," said Karyn Cavanaugh, senior market strategist at Voya Financial, in an interview. "Anything with China in the headline is going to spook investors, and forces them to take a look at that the market has been partying like there are no risks."

Also, following the report, gold for February delivery GCG7, +0.35% received a boost, and settled up 0.7% at \$1,137.40 an ounce.

For the week, the S&P and the Nasdaq finished down about 0.1%, while the Dow closed up 0.4%, for its longest weekly run of gains since November of last year. The blue-chip index on Thursday traded less than 50 points from the 20,000 handle.

"The market is a little tired," said **Mark Kepner**, managing director of sales and trading at **Themis Trading**. "A lot of times you reach these [record] levels and they're difficult to get through. Considering the year, if you were to close out [the year] at these levels, you'd have to be happy."

Wall Street stocks have surged since the presidential election in November. The gains have been attributed to expectations that Donald Trump's policy proposals, such as increased infrastructure spending, tax cuts and deregulation, will spur economic growth.

Major indexes came under pressure on Wednesday, after the Federal Reserve lifted interest rates and signaled three hikes could come in 2017.