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US STOCKS-Wall St dips as energy weighs

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By Chuck Mikolajczak

March 8 The S&P 500 and the Dow Jones Industrial Average dipped on Wednesday as a sharp drop in energy stocks offset gains in financials and drug stocks.

The ADP National Employment report showed the U.S. private sector added 298,000 jobs last month, well above expectations calling for a 190,000 increase.

The robust data sets the stage for Friday's nonfarm payrolls report, which includes private and public sector jobs and is seen as a barometer of the U.S. economy. With a small chance of a weak payrolls report, the U.S. Federal Reserve is more likely to raise rates at its meeting next week.

Traders now price in an 85.2 percent chance of a rate increase, according to Thomson Reuters data, up from 30 percent at the start of last week following hawkish comments from a string of Federal Reserve officials, including Chair Janet Yellen.

The S&P 500 financial index was up 0.15 percent, led by big banks such as Citigroup, Bank of America and Wells Fargo. Healthcare, up 0.5 percent, advanced as drug stocks rebounded from declines in the prior session after President Donald Trump's comments on Twitter on Tuesday about reducing drug prices.

The energy sector, down 2.1 percent, weighed as oil prices tumbled more than 5 percent in the wake of a much stronger-than-expected rise in U.S. inventories.

"The way the market feels it is kind of grinding again," said **Joe Saluzzi**, co-manager of trading at **Themis Trading** in Chatham, New Jersey.

Wall Street's main indexes are not far from all-time highs, driven by bets of pro-growth policies under President Donald Trump's administration.

"The market is predicting growth, it is basing its growth on some of the fiscal stimulus out of Trump world, whether it is tax cuts or deregulation, that is where we are right now and that is why the banks are doing well," said **Saluzzi**.

However, sparse details on his plans have tempered the rally and have raised concerns on valuations.

The S&P 500 is trading at about 18 times forward earnings estimates against the long-term average of about 15 times, according to Thomson Reuters data.

The Dow Jones Industrial Average fell 48.59 points, or 0.23 percent, to 20,876.17, the S&P 500 lost 3.47 points, or 0.15 percent, to 2,364.92 and the Nasdaq Composite added 6.70 points, or 0.11 percent, to 5,840.63.

Caterpillar fell 1.8 percent after the New York Times said it reviewed a report commissioned by the U.S. government that accused the heavy equipment maker of carrying out tax and accounting fraud.

H&R Block shares surged more than 16 percent and were on track for their best day in over eight years, after the tax preparation company posted its quarterly results.

Declining issues outnumbered advancing ones on the NYSE by a 2.14-to-1 ratio; on Nasdaq, a 1.12-to-1 ratio favored decliners.

The S&P 500 posted 15 new 52-week highs and 12 new lows; the Nasdaq Composite recorded 59 new highs and 42 new lows. (Reporting by Chuck Mikolajczak; Editing by Chizu Nomiya)