

MarketWatch

Stock market closes lower as retail sector slumps, Snap's stock tanks

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Macy's stock plunges as revenue drop was larger than expected



Reuters

A big loss for Snap weighed on shares.

U.S. equity benchmarks on Thursday closed lower, but well off their worst levels of the session, as a clutch of weaker-than-expected earnings reports and lingering concerns that President Donald Trump's pro-business agenda may face delays sapped buying appetite.

Particular weakness in the retail sector, with a popular exchange-traded fund that tracks major retailers — the SPDR S&P Retail ETF XRT, -0.55% — off 2.7%, weighed on investor sentiment.

The Nasdaq Composite retreated from a record, as the parent of Snapchat, Snap Inc. SNAP, -0.21% reported a \$2.2 billion loss in its first quarter late Wednesday in its first quarter as a publicly traded company, sending shares of the disappearing-message company tumbling more than 21%. The tech-heavy index COMP, +0.41% closed down 13.18 points, or 0.2%, at 6,115.96.

The S&P 500 index SPX, +0.10% also pulled back from its record close, declining 5.19 points, or 0.2%, to close at 2,394.44, with eight of its 11 main sectors finishing lower. Consumer-discretionary and financial stocks led the decliners.

The Dow Jones Industrial Average DJIA, +0.12% finished down for a third straight session, shedding 23.69 points, or 0.1%, to close at 20,919.42, after being down as much as 0.7%, or about 145 points, earlier in the session. Microsoft Corp. MSFT, +1.14% and Home Depot Inc. HD, -0.01% led the losses, finishing down more than 1%.

Higher oil prices failed to support stocks Thursday. U.S. crude prices US:CLM7 settled up 1.1% at \$47.83 a barrel, on the heels of data showing the biggest weekly drawdown for inventory since December, but energy shares were trading nearly flat.

“Both corporate earnings and economic data were pretty good in the first quarter and underpinned the rally so far. But with earnings season almost over, we might see some sideways moves until June when the Fed is likely to raise rates,” said **Mark Kepner**, managing director of sales and trading at **Themis Trading**.

Weekly jobless claims fell by 2,000 to 236,000, while continuing claims fell to the lowest level since November 1988. Low levels of layoffs underline a strong labor market. U.S. producer prices showed a broad-based gain in April, making for the largest annual advance in five years.

Kepner noted that very low levels of realized and implied volatility increase the odds of pullbacks in the near term.

The measure of implied volatility on the S&P 500, the CBOE Volatility Index VIX, -1.11% was up 2.6% at 10.48, hovering near historic lows.

Trump distractions and calling the Fed's bluff: After the shocking firing of Federal Bureau of Investigation Director James Comey late Tuesday, the stock market's reaction was fairly sanguine Wednesday, despite questions over whether it would crimp Trump's ability to push through market-friendly policies. But those questions seem to remain in play. In an interview Thursday, Trump called Comey a “showboat” and a “grandstander” and said he was going to fire him regardless of the Justice Department's recommendation.

“It's as simple as, ‘Are we in a better position or in a worse position than yesterday for getting things done?’ and people are reassessing that question,” said Ian Winer, director of equity trading at Wedbush Securities, in an interview.

Joel Kruger, currency strategist at LMAX Exchange, said while politics could factor into stock movements, Federal Reserve policy will likely dictate the direction for equities.

“Conversations about a stock market top are certainly not without merit. But it has also been abundantly clear stocks will only be at risk when the market truly believes the Fed isn't going to fold its hand when it comes to forward guidance,” Kruger wrote in emailed comments.

“We may be getting close to that point, but until then, investors will keep pushing their bets and calling the Fed's bluff,” he said.

Early Thursday, New York Fed President William Dudley said trade protectionism is a “dead end” that will eventually harm the U.S. economy, Reuters reported. The comments, in a speech in Mumbai, India, on the benefits and challenges of globalization, were seen as implied criticism of Trump's policies, even though Dudley didn't mention the president by name.

Stock movers: Shares of Macy's Inc. M, -0.04% finished down 17% after the retailer reported a worse-than-expected slide in revenue in the first quarter. Shares of other traditional retailers dropped with Nordstrom Inc. JWN, -0.51% closing down 7.6% and Kohl's Corp. KSS, -0.28% down 7.8%.

Straight Path Communications Inc. STRP, +0.54% shares sank 20% after the company confirmed an agreement to be bought by Verizon Communications Inc. VZ, +0.30% in a deal that values Straight Path at a deep discount to Wednesday's closing price.

Whole Foods Market Inc. WFM, +0.01% rose 2.2% after the grocery-store chain announced a new stock buyback plan and released earnings that met forecasts.

Valeant Pharmaceuticals International Inc. VRX, -1.23% shares closed up 8.8% following favorable developments in patent litigation over its drug Xifaxan.

Nvidia Corp. NVDA, +0.03% shares closed up 4.3% at a record \$126.50.

Other markets: Asian markets ADOW, +1.38% finished higher, with China SHCOMP, +0.09% squeezing out a gain of 0.1% as investors fretted over liquidity worries. European stocks SXXP, +0.22% finished lower while the FTSE 100 UKX, +0.11% rose fractionally.

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Gold prices GCM7, +0.64% settled up 0.4% at \$1,224.20 an ounce as the U.S. Dollar index DXY, -0.35% was flat.

The yield on a 10-year Treasury note TMUBMUSD10Y, -2.09% inched 2 basis points lower to 2.392%.

—*Barbara Kollmeyer in Madrid contributed to this article.*