MarketWatch

Dow, S&P 500, Nasdaq log worst session since May, close lower for 3rd straight day

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North Korean tensions help to undercut investor optimism

Reuters
Pyongyang city mass rally held at Kim Il Sung Square on August 9, 2017,

All three major equity benchmarks finished sharply lower on Thursday for their worst day since mid-May, with the trifecta of indexes all tumbling for a third straight session for the first time since mid-April, amid a persistent war of words between the U.S. and North Korea.

Dow Jones Industrial Average DJIA, -0.15% closed down 204.69 points, or 0.9%, at 21,844.01, finishing near the lows of the session, as Apple Inc. AAPL, -0.77% shares sank 3.2% and Goldman Sachs Group Inc. GS, +0.28% shares gave up 2.4%. Only three out of 30 Dow components finished higher.

The S&P 500 index SPX, -0.25% dropped 35.81 points, or 1.5%, to finish at 2,438.21, with 10 of the index's 11 sectors closing in the red. Tech shares sank by 2.2%, with the financials, consumer-discretionary, energy and industrials sectors all falling at least 1.3%.

The tech-laden Nasdaq Composite Index COMP, -0.44% plummeted 135.46 points, or 2.1%, to close at 6,216.87.

Thursday also marked the worst one-day percentage drop for all three benchmarks since May 17, according to FactSet data..

All three stock gauges closing down for a third day in a row last occurred since April 13, according to WSJ Market Data Group. The Dow is currently 1.2% off its closing record, while the S&P 500 is 1.7% off and the Nasdaq is 3.2% off their respective all-time highs

Geopolitical tension gained momentum on Thursday, after a North Korean army commander said, “sound dialogue” isn’t possible with President Donald Trump and “only absolute force can work on him,” according to state media. North Korea also laid out detailed plans of how it would launch a missile strike on U.S. military bases in Guam.

Brian Nick, chief Investment Strategist for TIAA Investments, which has $938 billion in assets under management said few catalysts remain to push stocks higher after earnings season is near wrapping up, which may give added significant to concerns about unease between North Korea and the U.S.

“What will markets take a cue from in that information gap? If it’s North Korea, I don’t think this will be a fruitful period for equity investors,” Nick said.

Stocks finished off their lows, but still held on to losses Wednesday, as investors remained anxious about the U.S.-North Korea war of words and a clutch of disappointing earnings reports.

Some investors, however, still maintained a bullish outlook on equities, expecting the war of words not to manifest into a military clash, with the pullback being temporary.

“The move down now is geopolitical, and short-lived if nothing happens,” **Joe Saluzzi**, co-head of equity trading at **Themis Trading**.

Saluzzi sees the North Korea concern as an excuse for traders to sell off in a market near record highs given the strength of earnings season and fairly good economic data that have come out recently. And if that sort of downtrend continues, it would be the kind that many investors have been looking for after 283 trading days without a pullback of 5% or more.

“People want to digest the move and a downtrend now totally makes sense,” **Saluzzi** said. “If the Dow drops 1,000 points over a week that might sound like a lot but it’s 5%, and then I think it blows over and buyers start talking about next quarter’s earnings.”

Meanwhile, traders absorbed a report on jobless claims that showed that initial claims for U.S. unemployment-insurance benefits continue to reflect a strong labor market, even as they inched slightly higher. The number of people who applied for U.S. unemployment-insurance benefits rose by 3,000 to 244,000 in the week that ended August 5, the Labor Department reported.

Economists polled by MarketWatch had expected the government to report that initial claims for regular state unemployment-insurance benefits rose 2,000 to 242,000.

And U.S. wholesale prices declined in July for the first time in almost a year, providing additional evidence of tepid inflation that is bedeviling the Federal Reserve.

Opinion: Time is running out to avoid war with North Korea

Economic docket: New York Federal Reserve President William Dudley said reaching the Fed's 2% inflation target this year is going to be tough even if monthly data begins picking up.

Stocks to watch: Blue Apron APRN, +1.28% shares tumbled nearly 18%, despite a beat on revenue. Shares of Kohl's KSS, +1.85% tumbled by 5.8% after an earnings beat.

Macy's M, +2.98% slipped more than 10% as the retailer reaffirmed downbeat guidance, but reported second-quarter earnings and revenue that beat expectations. Net income was $116.0 million, or 38 cents per share, up from $11.0 million, or 3 cents per share, for the same period last year.

Live Nation Entertainment Inc. LYV, +0.05% shares pared gains from strong earnings reported late Wednesday and closed up 5.6% after reports that Amazon.com Inc. AMZN, -1.61% announced it was getting into the event-ticketing business. Amazon shares finished down 2.6%.

Opinion: Here's one retailer Amazon won't kill

Perrigo Co. PRGO, +0.49% shares rallied nearly 16% after the drugmaker topped Wall Street estimates for the quarter.

Other markets: Investors' appetite for assets perceived as haven in times of geopolitical trouble ebbed slightly. The Swiss franc gave up some gains, as the U.S. dollar DXY, +0.06% was flat across the board. Gold GCZ7, -0.04% settled up 0.8% to $1,290.10 an ounce, trading at a roughly two-month high.

Read: Here's why export powerhouse Germany is 'euphoric' even with a soaring euro

Oil prices US:CLU7 settled down 2% at $48.59 a barrel even with the decline in U.S. inventories as data from the Organization of the Petroleum Exporting Countries showed a further rise in crude-oil production in July.

Asian markets ADOW, -0.23% finished lower on Thursday, with losses of over 1% for the Hong Kong Hang Seng Index HSI, +0.43% European stocks SXXP, +0.32% also closed in the red.

—Ryan Vlastelica and Barbara Kollmeyer contributed to this article