

MarketWatch

Stock market closes sharply lower as tech shares wither

By Wallace Witkowski and Sue Chang
Published: Aug 17, 2017 4:38 p.m. ET

Dow drops nearly 300 points to snap four-day win streak



Bloomberg
A cashier scans school supplies at a Wal-Mart store.

U.S. stock benchmarks on Thursday finished down at least 1% as heightened concerns about President Donald Trump's legislative agenda and news of a terrorist attack in Barcelona combined to foster selling on Wall Street. Technology shares suffered the worst of the beating following disappointing results from Cisco Systems.

The Dow Jones Industrial Average DJIA, -0.10% dropped 274.14 points, or 1.2%, to close at 21,750.73, with all 30 components finishing in negative territory. Cisco Systems Inc. CSCO, +0.06% fell 4% after the networking-equipment company late Wednesday reported earnings that missed forecasts and lowered its guidance for next quarter, and Wal-Mart Stores Inc. WMT, +0.07% fell 1.6% after its results, which included lower-than-expected sales from its Sam's Club division.

The Dow, which had gained 180 points over a four-day winning streak, had previously finished higher in 14 of the past 18 trading days.

"Cisco is in the midst of a turnaround, and it is showing very slow progress in that, while Wal-Mart has had something like 12 straight quarters of revenue growth, which led to expectations getting a little ahead of themselves," said Mark Spellman, portfolio manager at Alpine Funds, which has a total of \$3.8 billion in assets.

The S&P 500 SPX, -0.14% dropped 38.10 points, or 1.5%, to finish at 2,430.01, with the technology sector down 2%, and the industrials and financial sectors both shedding 1.7%. All 11 of the S&P 500's sectors closed lower on the session, which has only happened two other times this year.

The tech-heavy Nasdaq Composite Index COMP, -0.21% fell 123.19 points, or 1.9%, to close at 6,221.91.

The last time all three major benchmarks finished down 1% or more was May 17. The Dow is now 1.7% off its closing record, with the S&P 500 and Nasdaq off 2.1% and 3.1% their respective closing highs.

Meanwhile, the small-cap oriented Russell 2000 index RUT, +0.10% fell 1.8% to finish at just below 1,359, its first close below its 200-day moving average in 14 months.

In what's being investigated as a terrorism attack, a van plowed into a crowd in the Ramblas tourist area Thursday in Barcelona, Spain, killing at least 13 and injuring scores with unconfirmed reports that hostages were being held at a nearby restaurant by gunmen. Following the attacks, the CBOE Volatility VIX, +2.53% jumped nearly 30%.

Market participants said they were also following reports that Gary Cohn was resigning as economic adviser to President Donald Trump, but the White House has countered those rumors.

U.S. equity benchmarks had been facing selling pressure at the start of trade, as European markets ended lower after a three-day winning streak.

"In Europe, we had weakness out of the gate and then we had worries about the Cohn news," said **Mark Kepner**, managing director of sales and trading at **Themis Trading**, in an interview. "With the light volume, Barcelona is not something that the market is going to handle well."

The equity market was also digesting minutes from the Federal Reserve's July meeting, as well as the dissolution of a pair of Trump's business-advisory panels, which underscores the president's challenges in promoting his Wall Street-friendly policies.

The president has faced a furor after he repeatedly blamed "both sides" for violence last weekend at a white-supremacist rally in Charlottesville, Va.

Overall, Fed minutes were read as dovish, lowering expectations of another rate increase this year.

"There's no direct market impact in what Trump has done recently, but if things continue to be so polarized that his agenda is completely dead on arrival, that would have a negative impact," Alpine's Spellman said.

Fed in focus: The dollar rebounded a little on Thursday, with the ICE Dollar Index DXY, +0.02% edging up less than 0.1%. The greenback had declined Wednesday after Fed minutes from the July meeting suggested the central bank is worried about sluggish inflation.

"This kind of uncertainty leads to fresh doubts over whether the Fed will be able to raise rates again this year and clearly investors are growing more nervous," said Konstantinos Anthis, researcher at ADS Securities in a note.

Read: Trump agrees to seek Seoul's OK before any action on North Korea, says President Moon

Economic news: Initial jobless claims in the period running from Aug. 6 to Aug. 12 declined by 12,000 to 232,000, the Labor Department said Thursday.

Philly Fed's manufacturing index for August came in at 18.9, compared with a reading of 17.0 expected by economists polled by MarketWatch and 19.5 in the prior period.

A reading of industrial production missed expectations, rising by 0.2% in July, compared with expectations for a rise of 0.3% and 0.4% gain in the prior month.

See: MarketWatch's economic calendar

Stock movers: Alibaba Group Holding Ltd. BABA, -0.40% jumped 2.9% after the Chinese e-commerce giant reported earnings and sales above expectations.

L Brands Inc. LB, +1.33% slumped 3.6% after the Victoria's Secret parent late Wednesday cut its forecast for third-quarter and full-year earnings. The stock was the biggest percentage decliner on the S&P.

NetApp Inc. NTAP, +0.05% fell 6.7% despite reporting earnings that came in ahead of expectations. The stock has gained nearly 40% over the past 12 months.

Automatic Data Processing Inc. ADP, +0.26% shares fell 5.8% following a war of words between company management and Pershing Square's Bill Ackman.

In the wake of terrorism at a tourist destination in the summer months, airline stocks fell. American Airlines Group Inc. AAL, -0.66% shares fell 4.9%, Delta Air Lines Inc. DAL, -0.36% shares fell 5.2%, Southwest Airlines Co. LUV, -0.06% shares declined 3.9%, Alaska Air Group Inc. ALK, -0.65% shares fell 4.5%, and United Continental Holdings Inc. UAL, -0.41% shares dropped 3.3%.

Other markets: Asia markets closed mixed as investors there digested the Fed minutes.

Oil prices US:CLU7 rose 0.7% to settle at \$47.09 a barrel, following an earlier decline after data Wednesday showed U.S. oil production has jumped to a more than two-year high. Gold prices GCZ7, -0.02% rose 0.7% to end the session at \$1,292.40 an ounce, while most metals traded in positive territory.

—Sara Sjolín, Mark DeCambre and Ryan Vlastelica contributed to this article.

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