

Stock market closes little changed as Hurricane Harvey hits energy sector

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Travelers Cos. weighs on Dow; biotech sector surges



Getty Images
Houston residents navigate a flooded street that has been inundated with water from Hurricane Harvey.

U.S. stocks finished little changed on Monday, with the Dow industrials slipping lower and the S&P 500 and Nasdaq posting slight gains as investors gauged the effect of Hurricane Harvey, which slammed into Texas over the weekend, flooding cities and forcing energy facilities to close.

The Dow Jones Industrial Average DJIA, -0.01% declined 5.27 points, or less than 0.1%, to finish at 21,808.40. Insurance company Travelers Cos. Inc. TRV, -0.86% led losses, down 2.6%, and Goldman Sachs Group Inc. GS, +1.35% shares fell 1%. Home Depot Inc. HD, +0.07% and Apple Inc. AAPL, +0.00% led gainers, up 1.2% and 1%, respectively.

The S&P 500 index SPX, +0.26% which had traded off between slight gains and losses, closed up 1.19 points at 2,444.24, with six of the main sectors trading higher. Health-care stocks led gainers with a 0.6% advance, and tech rose 0.3%. Energy and financial stocks both finished down 0.5%.

Meanwhile, the Nasdaq Composite Index COMP, +0.62% rose 17.37 points, or 0.3%, to close at 6,283.02, driven by gains in technology and biotech names.

“Health care shares were up because of merger deals, but insurance companies are suffering because it’s clear that the flooding damage in Texas will mean a lot of claims for payouts. It is unclear if a jump in gasoline prices is long-lasting because we don’t know how soon refineries will be up and running,” said Mark Kepner, managing director of sales and trading at Themis Trading.

Shares of insurance companies were some of the worst hit on Monday, with the iShares U.S. Insurance exchange-traded fund IAK, +0.13% falling 1%.

Kepner also said low volumes tend to exaggerate price swings on Wall Street.

At the close, 2.61 billion shares changed hands on the New York Stock Exchange, with 1.54 billion trading on the Nasdaq. Trading volumes were especially light last week, coming in below already seasonally low August averages. Daily average trading volume in August for the NYSE stands at 3.09 billion shares and 1.79 billion shares for the Nasdaq, according to Dow Jones data.

“Unless we hit some macro[economic] issues, we’re in a little bit of a lull,” said Diane Jaffee, senior portfolio manager at TCW, in an interview. “Earnings are still lending strength to the overall tone of the market, and people were thinking something would come out of Jackson Hole but nothing happened, so it’s business as usual.”

Jaffee said attention is more focused on company specifics, such as Gilead Sciences Inc. GILD, +5.55% right now, rather than on macro issues. Although, if disappointing employment figures are released by the Labor Department on Friday, that is likely to boost trading volume in a negative way, she said.

Gilead shares rose 1.2% following a Wall Street Journal report that the company will buy Kite Pharma Inc. KITE, +0.07% for about \$11 billion. Kite shares jumped 28%.

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Biotechnology stocks fared well Monday, with the iShares Nasdaq Biotechnology ETF IBB, +1.84% trading 1.9% higher.

Now a tropical storm, Harvey devastated Houston, the fourth-largest city in the U.S., leaving its citizens grappling with unprecedented flooding. The National Weather Service warned that rainfall may exceed a record-breaking 50 inches in areas around Houston.

The storm, which was moving toward Louisiana on Monday, knocked out almost 15% of the nation’s fuel-making capacity and further disruptions were anticipated. The coast of Texas hosts nearly 30% of U.S. refining capacity, and Houston-area plants account for roughly half of that.

Read: Why oil prices are sinking as gasoline soars after Harvey

That led to U.S. gasoline futures jumping on Monday. On the New York Mercantile Exchange, September futures RBU7, +6.25% settled up 2.7% higher at \$1.712 a gallon.

However, oil prices continued to decline. West Texas Intermediate oil futures CLV7, +0.37% fell 2.7% to settle at \$46.57 a barrel. The most popular ETF tracking oil prices, United States Oil Fund, USO, +0.53% slumped 2.3%.

Shares of energy companies were also falling, as some major companies closed down refineries in Texas due to flooding. The SPDR Energy Select Sector exchange-traded fund XLE, +0.22% fell 0.4%.

Exxon Mobil Corp. XOM, -0.14% shut its Baytown refinery — the second largest in the U.S. — in a Houston suburb because of the heavy floodwaters, and Royal Dutch Shell PLC RDS.B, -0.07% said it stopped making fuel at its Deer Park, Texas, plant. Exxon shares fell 0.4%, while Chevron Corp. CVX, -0.12% shares were also down 0.4%.

“Although the full impact of the storm’s damage is yet to be determined, the markets expect the impact will be felt globally and affect energy markets for many weeks,” analysts at FxPro said Monday. “Following Hurricane Katrina in 2005, U.S. economic growth dropped by 50% in a quarter, therefore markets will be closely watching the damage from Harvey and its effect on the U.S. economy.”

Read: Insurance industry to easily absorb losses from Harvey, experts say

Economic data: The Commerce Department’s report showed that the advanced trade gap in goods — services are excluded — widened by 1.8% to \$ 65.1 billion in July. Both exports and imports declined, but exports dropped at a faster pace in the month. The gap was wider than expected.

Corporates: Shares of Expedia Inc. EXPE, +0.03% closed down 4.5% after news that Chief Executive Dara Khosrowshahi is leaving the company to become Uber’s CEO.

Shares of Chesapeake Energy Corp. CHK, +0.00% fell 3.7%, leading the S&P 500 index lower as energy shares were battered.

Read: These 15 energy stocks are down more than 3.5% in the wake of Hurricane Harvey

Biogen Inc. BIIB, +3.56% shares advanced 2.5% following results from an Alzheimer’s drug study.

Other markets: Gold prices GCZ7, -0.35% settled up 1.3% at \$1,315.30 an ounce.

The ICE Dollar Index DXY, +0.38% rose less than 0.1% to 92.26 after the greenback had earlier lost ground against the yen, the euro and pound.

In Asia, Hong Kong’s Hang Seng Index HSI, +1.19% edged up 0.1% while the Japan’s Nikkei Average NIK, +0.74% ended fractionally lower. European equities SXXP, +0.70% closed lower as the euro EURUSD, -0.4176% hit its highest against the dollar in more than two years.

Trading in the U.K. was closed for the August bank holiday.

—Carla Mozee in London contributed to this article.