U.S. stocks close off lows in tough trading day

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Global stocks under pressure, yuan suffers record loss

NEW YORK (MarketWatch) — The U.S. stock market staged a rebound on Tuesday but still ended the day lower, even after erasing steep opening losses sparked by China’s tightening of lending rules and Greece’s surprise elections announcement.

The S&P 500 SPX, -0.90% ended the session virtually flat at 2,059.88 after staging an impressive rebound from session lows.

Small-cap stocks outperformed spectacularly, with the Russell 2000 RUT, -0.79% gaining 1.8% to 1,188.06, while the Nasdaq Composite COMP, -0.36% ended the session with a gain of 25.77 points, or 0.5% at 4,766.47.

The Dow Jones Industrial Average DJIA, -1.16% fell as much as 218 points, but finished 51.28 points, or 0.3%, lower at 17,801.20. Verizon Communications VZ, -2.00% and AT&T T, -1.17% were among top decliners, after Verizon warned of lower profit due to price wars with competitors.

“While early activity looked like it was going to be another bearish day, clearer heads prevailed as bargain hunters stepped in about an hour after the open,” said Randy Frederick, managing director of trading & derivatives at Schwab Center for Financial Research.

The dip on the S&P 500 from its closing peak on Friday to a trough earlier today was about 2%.
“We may see more of these volatility hiccups in the next couple of weeks as energy volatility continues, and events unfold in Greece,” Frederick added.

Overseas news overshadowed speculation that the Federal Reserve may be close to pulling back its pledge to keep rates low, with yields falling amid a flight to quality. Hints of rising rates normally lead to selling of bonds and a jump in yields.

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“There has been a lot of euphoria since mid-October, even though everyone knew about deflation problems in Europe and Asia, it was not particularly new news. But once fear gripped investors, equities quickly sold off. The fact that Treasurys rising today points flight to quality, even in the face of the Wall Street Journal article that the Fed is likely to start raising rates next year,” said Joseph Saluzzi, co-founder and co-head of equity trading at Themis Trading, a brokerage firm.

10-year Treasurys rallied, sending yields down to 2.20% while gold prices jumped nearly 3% on Tuesday. The CBOE Vix VIX, +3.24% index which measures implied volatility on the S&P 500 jumped 7% above 15, highest level since October.

The global equity selloff began in a dramatic day in Asia. The Shanghai Composite Index SHCOMP, +0.42% swung from a 2.4% rise to a closing loss of 5.4%. China’s stocks, currency CNYUSD, +0.05% and corporate bonds were hit hard after Beijing banned investors from using low-grade corporate debt as collateral to borrow cash.

European equities were also hit hard and are on track to record their biggest loss in nearly two months amid worries stemming from Greek elections and volatile oil prices.

Oil prices were rebounding from five-year lows early Tuesday, but action was volatile. Both Jefferies and Macquarie slashed their prices for the commodity, saying more pain is coming.

On the New York Mercantile Exchange, light, sweet crude futures for delivery in January CLF5, -3.20% rose 77 cents, or 1.2%, to settle at $63.82 a barrel, snapping a three-session losing streak.

January Brent crude LCOF5, -2.54% on London’s ICE Futures exchange rose 65 cents, or 1%, to end at $66.84 a barrel, ending five days of losses.

Fed rate-hike worries redux: In an article that published late Monday in The Wall Street Journal, Jon Hilsenrath said Fed officials meeting next week will likely affirm a plan to start raising short-term interest rates in 2015 and are debating losing a key phrase, that rates will stay low for “a considerable time.”

This report comes on the heels of Friday’s U.S. jobs report, which indicated wages are picking up again and the economy is returning to some sort of normalcy. Meanwhile, job openings at U.S. workplaces jumped up to 4.83 million in October, reaching close to the highest level since early 2001, from 4.69 million in September, the U.S. Department of Labor reported Tuesday.

The markets should be reading this as a sign the economy is recovering well and no longer needs such central-bank support, said Craig Erlam, market analyst at Alpari U.K., in a note.
“However, with stock markets trading at record-high levels as investors search for yield and Treasuries also trading near highs, the actual reality is that we may need to see markets correct, something all investors appear to be perfectly aware of and fearing,” he added.

In a separate report, small-business sentiment reached a seven-year high in November, as expectations for business conditions in six months surged and expectations for real sales volumes also gained, the National Federation of Independent Business said Tuesday.

**Stocks to watch:** AutoZone Inc. **AZO, +0.11%** shares rose 4.3% as quarterly results topped analysts’ expectations. Sales rose thanks in part to lower gas prices, the company said.

H&R Block, Inc. **HRB, +0.88%** shares dropped 5% after its quarterly loss widened, as higher costs offset a slight increase in revenue

Burlington Stores Inc. **BURL, +1.55%** shares rose 1.8% after the off-price retailers beat earnings expectations and raised its full-year guidance.

Abercrombie & Fitch Co **ANF, +2.01%** share leapt 8% after the retailers said chief executive Mike Jeffries is retiring as chief executive effective immediately, a move that comes amid disappointing sales and shareholder pressure

Bluebird Bio Inc **BLUE, +2.30%** surged 72% to $84.28 after the company reported promising trial results for an experimental gene therapy to treat patients with an inherited blood disorder.

**Global markets under pressure:** The Stoxx Europe 600 index **SXXP, -2.59%** fell more than 2%, hit by weak German trade data and energy-stock losses. The FTSE 100 index **UKX, -2.49%** slid on fears that China will cut its growth forecast, which hit commodity-related stocks. Greek stocks **GD, -0.42%** fell sharply as a high-stakes vote for presidency was brought forward.

Gold prices **GCG5, -0.15%** surged nearly 3% as investors shied away from stocks, and the yen **USDJPY, -0.15%** regained interest from investors seeking alternative haven investments, inching up against the dollar.