U.S. Stocks Drop Along With Oil Prices
Major Banks Due to Report Earnings This Week

By DAN STRUMPF
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U.S. stocks fell Monday, dragged lower by a renewed drop in oil prices, as investors turned to the coming fourth-quarter earnings season.

The Dow Jones Industrial Average declined 66 points, or 0.4%, to 17672 in midday trading, pulling back from triple-digit losses earlier in the session.

The S&P 500 index lost 10 points, or 0.5%, to 2035, and the Nasdaq Composite Index shed 23 points, or 0.5%, to 4681.

Investors eyed a slide in U.S. oil prices, which prompted yet another selloff in energy stocks, after Goldman Sachs Group Inc. cut its oil price forecast. Shares of energy firms in the S&P 500 dropped 2.7%, posting the steepest losses across major sectors.

Also trading lower were financial stocks, down 0.6%. Telecommunications and health-care shares posted gains.

U.S. oil futures fell 4% to $46.38 a barrel in recent trading. Goldman cut its oil-price forecast to $40.50 a barrel for the second quarter, saying prices need to stay lower for longer to bring down supply and balance the market.

Traders said the decline in oil prices appeared once again to be weighing down the stock market. “Today, all the stock traders are looking at oil,” said Joe Saluzzi, partner at Themis Trading.

U.S. stock futures edged higher on Monday after two straight weeks of losses for benchmark indexes. WSJ's Polya Lesova has more on the News Hub with Simon Constable. Photo: Reuters

Shares of energy companies were broadly lower, with Dow components Chevron Corp. shedding 1.4% and Exxon Mobil Corp. losing 1.8%. Energy stocks in the S&P 500 have declined 5.6% so far this year.

With no major economic data due on Monday, investors are awaiting the fourth-quarter earnings season, whose unofficial start comes after the closing bell Monday when Alcoa Inc. is set to report earnings. Shares of the aluminum producer fell 0.1% in midday trading Monday.

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Earnings for companies in the S&P 500 are expected to rise 1.1% in the quarter, the weakest quarter for profit growth since the third quarter of 2012, according to FactSet. The sharp decline in oil prices has curbed profits in the once-burgeoning energy sector, while the stronger dollar is crimping business for exporters and companies with large overseas operations.
“We had some real dollar strength the second half of last year and it’s not going to be a short-lived phenomenon,” said Mike O’Rourke, chief market strategist at JonesTrading. “I think companies are going to be more realistic about the currency and the headwinds it’s going to create, and I think that should create some doubt among investors’ minds. But we’re still a stone’s throw away from all-time highs.”

Declines in stocks over the last two weeks has sent the S&P 500 falling 1.2% so far in 2015. Investors widely expect a rockier period for markets in the year ahead on the heels of last year’s 11% rally for the broad-market index. Though they have been cheered by the steady growth in the U.S. economy, uncertainty over the Federal Reserve’s timeline for raising interest rates and weak growth elsewhere in the developed world has market watchers bracing for wider swings in stocks. Still, the S&P 500 remains just 2.7% below its most recent all-time high of 2090.57 reached on Dec. 29.

European stocks closed higher, with the Stoxx Europe 600 index gaining 0.6%. The euro reversed an early gain against the dollar, falling 0.2%. Next week investors will be closely watching a meeting of the European Central Bank amid expectations of further easing measures.

The yield on the 10-year Treasury note inched down to 1.933% from 1.975% on Friday. Yields fall as prices rise.

Gold futures added 0.5% to $1222.20 an ounce.

Alcoa, NPS Pharmaceuticals and Lululemon are among stocks to watch. WSJ’s Polya Lesova has the details on the News Hub with Simon Constable. Photo: Alcoa

In deal news, Roche Holding AG agreed to pay $1.03 billion for a stake of up to 56.3% in Foundation Medicine Inc. Shares of Foundation Medicine doubled in midday trading.

Shire PLC is buying NPS Pharmaceuticals Inc. for $5.2 billion. NPS Pharmaceuticals makes treatments for rare diseases. U.S.-listed shares of Shire fell 3.1%, while shares of NPS jumped 8.4%.

Bristol-Myers Squibb Co. shares rose 4.8% after the company said a late-stage study of its skin-cancer drug Opdivo met its primary endpoint. Bristol-Myers Squibb said it would end the trial early.