

U.S. stocks plunge, wiping out July's gains

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For investors, there were few havens on Thursday.

The stock market had its worst one-day drop since February, driven down by a confluence of worries, from weak company earnings to the looming end of stimulus from the Federal Reserve.

Stocks started the day lower after a dose of bad earnings news, and the losses accelerated throughout the day.

The S&P 500 dropped 39.40 points, or 2 percent, to 1,930.67, its biggest loss since April 10. The drop pushed the index to its first monthly loss since January.

The Dow Jones industrial average plunged 317.06 points, or 1.9 percent, to 16,563.30. The Nasdaq composite fell 93.13 points, or 2.1 percent, to 4,369.77. The Russell 2000, an index of small company stocks, plunged 26.50 points, or 2.3 percent, to 1,120.07.

The stock market has been on a bull run for more than five years, with the most recent leg of that surge pushing the Standard & Poor's 500 index to an all-time high a week ago. Investors are now getting concerned that stocks may have climbed too far and reflect too much optimism on the outlook for growth.

“Investors are scared because Russia and the United States seem to be in a stalemate over the Ukraine,” said Fred Russell, principal of Fredric E. Russell Investment Management Co. in Tulsa. “The West is applying sanctions, but sanctions don't seem to scare Putin, and the conflict goes on.”

“Investors don't like conflict because it means business interruption. Also, the jobs picture was not attractive. Millions of people remain out of work, either because they can't find jobs or they don't like the jobs that are being offered. So, those two factors make for a dismal outlook according to investors,” Russell added.

Doug Scott, president of Warburton Capital Management in Tulsa, reminds investors to focus on what they can control instead of what they can't control. That includes choosing investment products that have lower expenses.

"Diversify your portfolio. That is a big one ... Everyone knows the old adage of not putting all your eggs in one basket. Our stock market is down; it doesn't mean that other global equities are going to be down," Scott said

He also suggests choosing an investment methodology that minimizes taxes and doesn't have a lot of portfolio turnover.

"The fourth thing that is particularly important ... have the discipline to not panic and to stay the course," Scott said. "If you've done a good job and you've thoughtfully determined how much exposure to the volatile equity markets you can handle, then don't panic when a surprising and uncontrollable event happens."

The main driver behind Thursday's sell-off was a reassessment of the outlook for interest rates in the U.S., said Paul Zemsky, chief investment officer of Multi-Asset Strategies and Solutions at Voya Investment Management.

Fed policymakers said the central bank would make further cuts to its monthly bond purchases, a program that is intended to keep long-term interest rates low and encourage borrowing and spending. Policy makers are also becoming more optimistic about the outlook for the U.S. economy after growth expanded by a better-than-expected 4 percent in the second quarter.

"We're closer to the first move higher in interest rates," said Zemsky. "And there's definitely a camp that believes that the only reason that were at these levels is because the Fed has kept the rates at zero."

Despite Thursday's weak earnings reports, the overall outlook for company profits is still strong, said Zemsky.

Company earnings are still at record levels, and expected to grow by 8.6 percent in the second quarter, according to data from S&P Capital IQ. That compares to growth of 4.9 percent in the same period a year ago and 3.4 percent growth in the first three months of this year.



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A Wall Street sign is shown in front of the New York Stock Exchange. U.S. stocks slumped Thursday as investors reacted to disappointing corporate earnings reports and assessed the implications of the end to economic stimulus from the Federal Reserve.

MARK LENNIHAN/Associated Press file

World Business Writer Laurie Winslow contributed to this report