



## **Dow drops more than 300 as oil continues to plunge**

**The drop is blamed on the freefall in oil prices, 12 percent this week.**

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What a difference a week makes.

Seven days after closing at record levels on the back of a strong employment report, the stock market slumped to its worst weekly loss in two and a half years. On Friday alone, the Dow Jones industrial average fell 315 points.

The catalyst for the sell-off was an extension of a rout in oil prices.

Oil plunged Friday for the fourth time in five days after the International Energy Agency said global oil demand will grow less than previously forecast next year. The price of oil fell 12 percent for the week, going below \$60 per barrel on Thursday for the first time since July 2009. Oil has now fallen 47 percent since reaching a peak of \$107 in June this year.

A debate is raging among analysts and investors over whether tumbling oil prices are a net advantage, or a detriment, to the economy and the stock market.

Energy companies will take a hit as their earnings are crimped. This will especially hurt Oklahoma, a big oil and gas state. Petroleum firms will also spend less on plants and equipment, hurting their suppliers.

Taking direct hits Friday were Tulsa energy businesses Williams Cos., down \$1.37 to \$42.76; Magellan Midstream Partners, off \$1.02 to \$77.44; and Helmerich & Payne, down \$1.33 to \$60.34.

Even so, there are many winners in the economy from lower oil prices, including consumers who are seeing near-\$2 gasoline at the pump, airlines and truckers which consume large amounts of fuel, as well as retailers and some manufacturers.

Indeed, the fact that a wide variety of stocks would suffer such a hit on crude price declines puzzled Tulsa money manager Fred Russell.

“It’s like the teacher turned her back and got hit with an eraser, so she’s punishing the whole class,” said the analyst, principal of Fredric E. Russell Investment Management.

There are quite a few companies, such as package delivery giant UPS, that will benefit from cheaper fuel, he said in a telephone interview.

Although some forecasters recently have revised their oil price outlooks for next year sharply downward, Russell said it’s too early to tell if the trend will hold.

Investors with energy stocks in their portfolios should remember the cyclical nature of the industry, he said. In fact, this may be the time to buy more oil and natural gas shares.

“Just don’t do it on margin (credit),” he said.

Russell said he will be watching the oil price and demand figures to see if, perhaps, they are an indicator of an economic slowdown.

Other analysts also are keeping their eyes on the fragile U.S. economy, as well as business conditions around the world. The last time oil prices were this low was when the U.S. economy was emerging from the Great Recession.

“In a nation like the U.S. (as well as) Europe and most of Asia, the benefits of falling oil outweighs the costs,” said Jeff Kleintop, Schwab’s chief global investment strategist. “The concern is that there’s something more to it, given such a sharp decline, that there’s something deeper here.”

The Standard & Poor’s fell 33 points, or 1.6 percent, to 2,002.33. The index dropped 3.5 percent in the week, its biggest drop since May 2012.

The Dow Jones industrial average dropped 315.51 points, or 1.8 percent, to 17,280.83. The Nasdaq composite dropped 54.57 points, or 1.2 percent, to 4,653.60.

After flirting with a close above 18,000 just one week ago, the Dow has now shed more than 700 points after being weighed down by big losses in Exxon Mobil and Chevron.

Stocks started the day lower after a report showed that growth in factory output in China, the world’s second-largest economy, declined last month.

The data came after Chinese leaders affirmed their commitment to the “new normal” of slower growth as they try to steer China toward a more sustainable expansion based on domestic consumption.

U.S. benchmark oil dropped \$2.14, or 3.6 percent, to \$57.81 a barrel. Brent, the international benchmark, lost \$1.83, or 2.9 percent, to \$61.85 a barrel. Energy stocks in the S&P 500 index fell 2.1 percent, taking their loss for the year to 16.5 percent.

Some companies bucked the downward trend.

Adobe reported fourth-quarter results late Thursday that beat Wall Street expectations. Adobe also said it will pay \$800 million to buy the stock image and video company Fotolia. The stock jumped \$6.28, or 9 percent, to \$76.02.

Government bond prices rose. The yield on the benchmark 10-year Treasury note, which falls when prices rise, dropped to 2.08 percent from 2.17 percent Thursday.

The dollar fell. The U.S. currency dropped 0.2 percent to 118.74 yen. The euro rose 0.5 percent against the dollar to \$1.24593.

In metals trading, silver fell six cents, or 0.3 percent, to \$17.06 an ounce. Gold dropped \$3.10, or 0.3 percent, to \$1,222.50. Copper rose a penny, or 0.4 percent, to \$2.93 a pound.

In other futures trading on the NYMEX, wholesale gasoline fell 2.7 cents to close at \$1.597 a gallon and natural gas rose 16.1 cents to close at \$3.795 per 1,000 cubic feet.

Tulsa World Business columnist John Stancavage contributed to this story by The Associated Press.

