

MARKETS | U.S. MARKETS

U.S. Stocks Drop on Political Uncertainty

Three defensive sectors in the S&P 500, consumer staples, real estate and utilities, rise

By Paul Vigna

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U.S. stocks fell Thursday after the release of a whistleblower complaint that has sparked an impeachment push against President Trump clouded the political outlook.

Technology, financials, health-care and communications shares in the S&P 500 all fell as investors watched a contentious, hourslong Congressional hearing featuring the acting director of national intelligence, Joseph Maguire.

The hearing drilled down on allegations President Trump sought to use the powers of his office to coerce Ukraine to investigate rival Joe Biden.

The Dow Jones Industrial Average fell 79.59 points, or 0.3%, to 26891.12, after earlier falling as much as 166 points. The S&P 500 edged down 7.25 points, or 0.2%, to 2977.62. The indexes narrowed their losses and briefly turned higher in the final hour of the session, but then slid into the closing bell.

The technology-heavy Nasdaq Composite fell 46.72 points, or 0.6%, to 8030.66.

“We’re just living and reacting to every headline,” said Naeem Aslam, chief market analyst at ThinkMarkets, who was sitting in London but watching the hearing, and also following the political turmoil in his own country. “It’s a circus,” he said, “a 21st century version of a circus.”

The modest moves through the session reflect the market’s recent ambivalence, as traders are caught between monitoring earnings and economic fundamentals on one hand and parsing political headlines on the other. Indeed, the Dow is down 1.7% from its July record high, and up 1.9% from a year ago.

The controversy over Ukraine has become a political danger to Mr. Trump’s presidency, and while the odds of him being removed from office appear remote, the magnitude of the fight has forced market players to pay attention. The U.K. political battle over Brexit likewise has traders fixated.

None of it, however, has derailed the main trends in the equities market.

Right now, the momentum is still with value stocks like utility companies, real estate, and consumer staples, said Frank Cappelleri, executive director of Instinet. “You have to respect that until it changes,” he said.

Indeed, those sectors were among the leaders Thursday. Consumer staples and utilities are both on track for gains of more than 1% this week.

Conagra Brands gained \$1.10, or 3.7%, to \$31 after the company topped profit estimates for the latest quarter and reaffirmed its outlook, offsetting a sales miss.

Among utilities, Edison International, NiSource, and CMS Energy all gained more than 1%.

On the downside, the consumer discretionary, health-care, and communication services sectors in the S&P 500 all lost more than 0.5%.

Carnival was among the biggest declines. Shares fell \$4.11, or 8.6%, to \$43.95 after the cruise-ship company cut its outlook for the year, citing disruptions from Hurricane Dorian and tensions in the Arab Gulf. Royal Caribbean and Norwegian Cruise Line Holdings both dropped more than 2%.

Tech stocks, long the momentum-crowd darlings, fell. Facebook, Apple and Alphabet edged lower.

Peloton Interactive shares started trading on the public markets with a thud. The stock fell \$3.24, or 11%, to \$25.76 after the company's shares priced Wednesday night at \$29, the top of the projected range.

The weak debut is another dent in the IPO market, after the high-profile postponement of WeWork parent company's offering.

Investors and traders also continued to monitor the state of trade talks between the U.S. and China.

China's Commerce Ministry said Thursday that Chinese companies had agreed to buy "sizable amounts" of soybeans and pork from the U.S. ahead of high-level talks scheduled for next month. President Trump also voiced optimism about a deal.

The U.S. Commerce Department said Thursday that gross domestic product—a broad measure of the goods and services produced across the U.S.—was unrevised in the second quarter, although a key measure of corporate profits was revised lower. U.S. jobless claims increased slightly last week, according to the Labor Department.

The yield on U.S. 10-year Treasuries slipped to 1.685% from 1.732% Wednesday. Bond yields and prices move in opposite directions. In commodity markets, U.S. crude fell 0.1%. Gold prices added 0.2%.

—Max Bernhard contributed to this article.

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