

US stocks tumble on weak Alcoa earnings, lower oil prices

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Traders work on the floor of the New York Stock Exchange (NYSE). (Spencer Platt/Getty Images/AFP)

NEW YORK: US stocks tumbled on Tuesday (Oct 11) as disappointing Alcoa results sharpened concerns about the just-underway third-quarter earnings season.

Alcoa slumped 11.4 per cent missing earnings-per-share expectations and offering a lacklustre forecast for its value-added aluminium businesses, which will be renamed "Arconic" when the company splits in two on Nov 1.

The market is "very cautious" on earnings after five straight quarters in which the S&P 500 reported declining profits, said David Levy portfolio manager at Republic Wealth Advisors.

Analysts also cited lower oil prices and higher government bond yields as concerns.

The Dow Jones Industrial Average dropped 200.38 points (1.09 per cent) to 18,128.66.

The broad-based S&P 500 shed 26.93 points (1.24 per cent) to 2,136.73, while the tech-rich Nasdaq Composite Index sank 81.89 points (1.54 per cent) to 5,246.79.

Amazon lost 1.3 per cent following a report that the online retailer plans grocery shops that would let people quickly pick up milk, vegetables or other perishable foods.

Petroleum producers Apache and ConocoPhillips both lost more than two per cent on lower oil prices.

General Electric bucked the negative tide, rising 0.3 per cent after announcing it would acquire Denmark's LM Wind Power, which makes blades for wind turbines, for US\$1.7 billion.

Apple also advanced, climbing 0.3 per cent on expectations of a bump to iPhone sales after rival Samsung Electronics scrapped production of its Note 7 smartphones following problems with exploding batteries.

Illumina, a research company focused on genetic analysis, plunged 24.8 per cent after cutting its third-quarter revenue forecast to US\$607 million from the previous range of US\$625-US\$630 million due to lower demand for genetic sequencing instruments.

Medical equipment supplier St. Jude Medical dropped 3.5 per cent following a warning about battery risks in defibrillator patients. The company said a premature depleting of the battery can leave patients vulnerable. The failure has been tied to two fatalities, according to Bloomberg.

Abbott Laboratories, which has agreed to acquire St. Jude for US\$25 billion, fell 5.4 per cent.

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