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US stocks close sharply lower as all eyes turn to debate; financials lag



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Fred Imbert | @foimbert
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Dow now down more than 1% for September

Monday, 26 Sep 2016 | 9:39 AM ET | 01:56

U.S. equities closed sharply lower on Monday, with financials and health care lagging, as market watchers kept a close eye on a key OPEC meeting and looked ahead to a U.S. presidential debate.

"The market has basically priced in a Hillary Clinton victory," said Randy Warren, chief investment officer at Warren Financial Service. "If it's a big victory for Hillary, then no one will watch the next two debates and the market is going to go back to business. If it's a big victory for Trump, then no one will watch the next two debates and everyone is going to be freaking out."

The Dow Jones industrial average fell more than 160 points, with Goldman Sachs contributing the most losses.

"I think this is a bit of pre-debate jitters," said Randy Frederick, vice president of trading and derivatives at Charles Schwab. "People are probably taking a bit of risk off the table ahead of the debate."

The S&P 500 dropped approximately 0.84 percent, with health care and financials falling more than 1 percent. The Nasdaq composite fell about 0.9 percent.



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"Investors are waiting to see what happens at the presidential debate," said Peter Cardillo, chief market economist at First Standard Financial. "The market hasn't been affected by the elections, but now they are."



Getty Images

A trader on the floor of the New York Stock Exchange.



weeks. According to an [NBC News/ Wall Street Journal poll released last week](#), Clinton held a six-point lead over Trump heading into the debate. A Bloomberg poll released Monday showed both candidates were deadlocked.

"I feel both candidates do not deserve the presidency, but from an economic standpoint, Hillary Clinton is the lesser of two evils," Cardillo said.

The first of three debates will be held at Hofstra University and is set to begin at 9 p.m. ET.

"This is a market thinking about several things. First and foremost, the U.S. election. The market is used to pricing in monetary policy, but a national election is a bit more difficult," said Art Hogan, chief market strategist at Wunderlich Securities.

Hogan added investors were also focusing on an OPEC meeting taking place in Algiers. Crude oil prices gained on Monday, after media reports cited the Algerian energy minister saying all options were possible for an output cut or freeze. [U.S. oil](#) rose 3.26 percent to settle at \$45.93 per barrel.

But Schwab's Frederick said "OPEC is a much less cohesive cartel than it once was," adding that Saudi Arabia doesn't have the same pricing power it once had.

"Whatever happens with the OPEC meeting is irrelevant. I think oil prices are going to go higher," First Standard's Cardillo said.

Investors also monitored shares of [Deutsche Bank](#), which hit an all-time low after German Chancellor [Angela Merkel](#) had reportedly [ruled out](#)

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[helping the bank with its U.S. legal troubles](#). Deutsche's stock closed 7 percent lower.

Deutsche's fall weighed heavily on European equities, with the pan-European [Stoxx 600](#) index shedding 1.55 percent. "Looks like Deutsche Bank sneezed and we all caught a cold," said Wunderlich's Hogan. "That ... has everybody down."

"Let's be honest, when push comes to shove, the German government will be standing by Deutsche Bank if need be. We just don't know to what extent and at what cost if it were come to pass," Peter Boockvar, chief market analyst at The Lindsey Group, said in a note to clients.

In economic news, [new home sales totaled 609,000](#). Three Federal Reserve officials also spoke Monday. Dallas Fed President Robert Kaplan said he would've been OK with raising rates in September. Fed Governor Daniel Tarullo said in a speech the Fed will seek more capital from the largest U.S. banks and give relief to smaller banks. Minneapolis Fed President Neel Kashkari also spoke, but did not address monetary policy.



to a 1 percent weekly gain. "Within the text of their statement, it had a more hawkish tone but, if you look at the dot plot, they are still trying to guide the market on a slow rate hike path," said Casey Clark, vice president of investment strategy at Glenmede. He also said he expects the Fed to raise rates in December.

In corporate news, Carnival, Cal-Maine Foods and Vail Resorts all reported quarterly results before the bell. "We have an earnings season coming up and we have the potential for 1.5 years of negative earnings growth," said Bill Northey, chief investment officer at the Private Client Group at U.S. Bank. "It does look like third-quarter earnings at best are going to see single-digit growth and at worst a double-digit decline."

U.S. Treasuries rose, with the two-year yield at 0.74 percent and the benchmark 10-year note yield at 1.58 percent. The Treasury Department sold \$26 billion in two-year notes.

The [dollar](#) fell 0.19 percent against a basket of currencies, with the [euro](#) near \$1.126 and the [yen](#) around 100.25.

Symbol	Name	Price	Change	%Change
DJIA	Dow Industrials	18229.88▲	135.05	0.75%
S&P 500	S&P 500 Index	2160.37▲	14.27	0.66%
NASDAQ	NASDAQ Composite	5303.87▲	46.38	0.88%

The [Dow Jones industrial average](#) fell 166.62 points, or 0.91 percent, to close at 18,094.83, with Goldman Sachs leading decliners and Procter & Gamble and Apple as the only advancers.

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The **S&P 500** dropped 18.59 points, or 0.86 percent, to end at 2,146.10, with financials leading 10 sectors lower and real estate the only riser.

The **Nasdaq** closed 48.26 points lower, or 0.91 percent, at 5,257.49.

The **CBOE Volatility Index (VIX)**, widely considered the best gauge of fear in the market, gained 17.66 percent higher, near 14.5.

About three stocks declined for every advancer at the New York Stock Exchange, with an exchange volume of 781.12 million and a composite volume of 3.105 billion at the close

Gold futures for **December delivery** settled \$2.40 at \$1,344.10 per ounce.

—CNBC's *Katy Barnato* contributed to this report.

On tap this week:

*Planner subject to change.

Monday



5 p.m. U.S. presidential debate



Tuesday

Earnings: **Nike**, Markit, FactSet, Cintas

9 a.m. S&P/Case-Shiller home prices

9:45 a.m. Services PMI

10 a.m. Consumer confidence

11:15 a.m. Fed Vice Chair Stanley Fischer at Howard University on why study economics

1 p.m. \$34 billion five-year note auction

Wednesday

Earnings: **Paychex**, **BlackBerry**, IDT, **Pier 1 Imports**, Actuant, Progress Software

8:30 a.m. Durable goods

8:45 a.m. Minneapolis Fed's Kashkari

10 a.m. Fed Chair Janet Yellen testifies on supervision and regulation, House Financial Services Committee

10:15 a.m. St. Louis Fed President James Bullard

1 p.m. \$28 billion 7-year note auction

1:30 p.m. Chicago Fed President Charles Evans

4:35 p.m. Cleveland Fed President Loretta Mester

7:15 p.m. Kansas City Fed President Esther George Close %Change

Thursday

Earnings: [PepsiCo](#), [ConAgra](#), [Costco](#), Accenture, CalAmp

5 a.m. Philadelphia Fed President Patrick Harker

8:30 a.m. Initial claims

8:30 a.m. GDP Q2 (third read)

8:30 a.m. International trade (Aug adv)

8:50 a.m. Atlanta Fed President Dennis Lockhart

10 a.m. Fed Gov. Jerome Powell

10 a.m. Pending home sales

2:30 p.m. Minneapolis Fed's Kashkari



Friday

Earnings: [McCormick](#), The Container Store

8:30 a.m. Personal income/spending

9:45 a.m. Chicago PMI

10 a.m. Consumer sentiment



Fred Imbert
News Associate

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MTN	155.75	▼ -0.05	-0.03%

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