Stocks slip in summer slide

Market analysts point to China's faltering economy, tumbling oil prices

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Pittsburgh Post-Gazette

AUG 22, 2015 | 12:00 AM

Wall Street's summer slide continued Friday as a gloomy economic report out of China and tumbling oil prices sent major stock indexes down 3 percent.

The S&P 500 index fell below 2,000 for the first time since January, closing at 1,970.89, off 64.84. That left the broad market index down 4 percent for the year.

The Dow Jones industrial average is off nearly 8 percent for the year after closing Friday at 16,459.75, down 530.94. The Nasdaq index closed Friday at 4,706.04, off 171.45 for the day and less than 1 percent for the year.

"We consider it to be a standard bull market correction," said Daniel Henderson, president and CEO of CooksonPeirce Wealth Management, Downtown.

Ron Heakins of OakTree Investment Advisors in Shadyside agreed.

“I don’t think it’s a big rout,” he said. “The underlying U.S. economy would have to be worse. Although it’s not stellar, we are growing.”

Analysts fingered the usual suspects for Friday’s fall: China’s faltering economy and tumbling prices for oil and other commodities.

While Chinese government officials say their economy is growing at a 7 percent clip, the unexpected devaluation of China’s currency last week has prompted some to question whether Chinese government economic reports underestimate the magnitude of the slowdown. A Friday report on a sharp downturn in Chinese factory activity added fuel to the fire.

“It’s probably worse than what they make it look like,” said Malcolm Polley, president and chief investment officer of S&T Banks’ Stewart Capital Advisors subsidiary.

China is the world’s largest consumer of raw materials. Shrinking demand for steel, copper, coal and other commodities from the world’s biggest customer is hurting countries in Asia and Europe that rely on China to consume a hefty share of their exports.

“Materials and energy have continued to get crushed,” Mr. Polley said. “Until global demand picks up, materials prices, energy prices will continue to be under pressure.”

Most of the hardest hit stocks in the Post-Gazette/Bloomberg index of regional stocks are tied to the materials sector, where falling commodities prices reflect China’s slowdown.

Shares of two of the region’s specialty metals producers hit 52-week lows Friday. Allegheny Technologies closed at $17.61 — off 82 cents Friday and 49 percent for the year — while Alcoa shed 30 cents to close at $8.73, leaving it down 45 percent for 2015.

U.S. Steel shares, which had topped $46 in mid-September, fell $1 Friday to close at $15.91. They are down 41 percent this year.

On Friday, benchmark U.S. oil prices fell below $40 a barrel for the first time since the recession, marking the eighth consecutive week they have lost ground. Shares of Range Resources, the region’s largest driller, bounced off a 52-week low Friday to close at $35.64, up 16 cents. Cecil-based Rice Energy fell 47 cents to $19.30, leaving the stock down 8 percent for the year.

Consol Energy bounced off a 52-week low Friday before finishing at $12.61, up 12 cents. The Cecil company is the region’s worst-performing stock, down 63 percent this year.

Matt Yanni of Yanni & Associates in Franklin Park is not worried about Wall Street’s retreat turning into a rout.

“For the most part, earnings have held up. The economy has not been robust, but it has continued to show positive signs of slow growth,” he said.

Lou Stanasolovich of Legend Financial Advisors in McCandless said the sustained bull market that began following the end of the recession has experienced only a few significant pullbacks, with the biggest being an 18 percent drop in the summer of 2011. While he’s not seeing a bear market, Mr. Stanasolovich is not in a rush to buy stocks. He believes the S&P 500 is overpriced based on inflation-adjusted corporate earnings over the last 10 years.

“I wouldn’t necessarily be investing [in stocks] right now,” Mr. Stanasolovich said. “I would keep my eyes on it. I’m not running for the hills, though.”

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First Published August 22, 2015, 12:00am