S&P 500 Erases Monthly Gain on Final Day of 2014 Trading

By Joseph Ciolli and Sofia Horta e Costa Dec 31, 2014 10:27 PM GMT+0100
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U.S. stocks fell, erasing December's gains for the Standard & Poor's 500 Index and paring an annual advance after equity gauges reached all-time highs.

The Standard & Poor's 500 Index fell 1 percent to 2,058.90 at 4 p.m. in New York, erasing its monthly increase. It finished the year with an 11 percent gain. The Dow Jones Industrial Average lost 160 points, or 0.9 percent, to 17,823.07. About 5.2 billion shares changed hands on U.S. exchanges, 25 percent below the three-month average. Equity markets will be shut tomorrow for the New Year's Day holiday.

“You can have volatility in trading activity the last few days of the year, certainly on the last day, when people realize it's their final opportunity to do whatever they want in terms of rearranging their portfolios,” John Carey, a Boston-based fund manager at Pioneer Investment Management, which oversees about $230 billion, said in a phone interview. “It'll be off to the races again on Friday.”

The S&P 500's 0.4 percent retreat for the month was the first December decline since 2007. About half of today’s drop came in the final 30 minutes of trading. Utility companies in the S&P 500 plunged 1.8 percent. Technology, phone, financial and consumer-staples shares tumbled more than 1.2 percent.

Cisco Systems Inc., UnitedHealth Group Inc. and Merck & Co. had the biggest losses in the Dow, falling at least 1.5 percent.

The Chicago Board Options Exchange Volatility Index, a measure of demand for options on the S&P 500, gained 21 percent to 19.20 today, rising for a fourth straight day.
Equity Milestones

The S&P 500 closed at a record on Dec. 29 for the 53rd time this year as $1.1 trillion was added to American share values. The benchmark overcame five separate declines of 4 percent or more in 2014, while stocks have never once declined more than three straight times, a first in data compiled by Bloomberg going back to 2000.

The index rose to all-time highs this month as the Federal Reserve pledged to be patient on the timing of interest-rate increases and the world’s largest economy expanded at the fastest pace in more than a decade.

Data today showed more Americans filed applications for unemployment benefits for the first time in five weeks, displaying the typical year-end holiday swings that make the data difficult to interpret. A separate report showed contracts to purchase previously owned homes rose in November as employment gains and low borrowing costs helped bring potential buyers into the market.

“Equity indexes in the U.S. are near all-time highs, having outperformed many other developed markets, and various sentiment surveys are showing record-high optimism,” Benedict Goette, founder of asset-management firm Compass Capital AG in Zurich, wrote in an e-mail. “This makes markets highly vulnerable to a shift in risk perception.”

Bull Market

U.S. stocks will extend their bull market into a seventh year, according to Laszlo Birinyi, whose favorable stock calls since 2009 have mostly come true.

The S&P 500 is in a “protracted, durable bull market,” the president and founder of money-management and research firm Birinyi Associates Inc. said in a radio interview on “The Bloomberg Advantage” with Vonnie Quinn. The former Salomon Brothers Inc. equity analyst predicted in February that the benchmark gauge would reach 1,900 in the second quarter and said in July it would reach 2,100 by year end.

Surpassing Records

The Dow completed its sixth annual rally, after surpassing 18,000 for the first time last week. The Russell 2000 Index touched a record today before reversing gains, while the Nasdaq Composite Index reached the highest level since 2000 on Dec. 29.

Eight of the 10 major groups in the S&P 500 increased this year. Utility shares jumped 24 percent, the largest advance, while a rout in oil prices sent a gauge of energy companies down 10 percent this year, the most since 2008.

While the S&P 500 rose for a third straight year, the MSCI All-Country World Index excluding the U.S. was down 6.3 percent for the year. The divergence is a consequence of rising stocks and a strengthening dollar.

Among 24 developed nations, the S&P 500 trailed only the stock-market returns in Denmark, Belgium, New Zealand and Ireland in local currencies this year.

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