

# Why is the stock market falling? Dow drops over 600 points as investors weigh Fed's policy path, earnings

U.S. stocks fell sharply Friday, extending losses as investors weighed up hawkish comments on interest rates by Federal Reserve Chairman Jerome Powell and a fresh batch of corporate earnings that largely disappointed.

## How are stocks trading?

- The Dow Jones Industrial Average DJIA, -1.64% was down 608 points, or 1.7%, at 34,186.
- The S&P 500 SPX, -1.65% lost 76 points, or 1.7%, to 4,318, and was on track for a third straight weekly fall.
- The Nasdaq Composite COMP, -1.51% shed 194 points, or 1.5%, to trade at 12,981.

On Thursday, the Dow shed 368.03 points, or 1.1%, reversing a gain of as much as 331.43 points in intraday trading. The more-than 700-point intraday swing was its biggest since March 8, according to Dow Jones Market Data. The S&P 500 fell 1.5%, while the Nasdaq Composite slumped 2.1%.

## What's driving the market?

Stock-market weakness picked up Friday where Thursday's selloff left off, when equities tumbled into the afternoon after Powell added his support for moving faster on raising interest rates to cool inflation, measures that would include a possible 50 basis point interest rate hike in May.

"It would seem investors have been too complacent about the upcoming [Fed] meeting, which will need to change," said Michael Kramer, founder of Mott Capital, in a note.

The Cboe Volatility Index VIX, +13.62%, an options-based measure of expected volatility over the next 30 days, had been too low heading into the May 3-4 Federal Open Market Committee, or FOMC, meeting, Kramer said. It rose Thursday and was up another 9% at 24.76 on Friday, moving above its long-term average just below 20.

Powell's remarks appear to make a half percentage point rate hike the base case, with the central bank also likely to announce the beginning of the unwinding of its balance sheet.

"A rising VIX will weigh on stocks," Kramer said. "If we are entering the time where people start

putting hedges back on, the market has further to fall.”

Meanwhile, traders of fed funds futures have priced in a 94% chance that the Federal Reserve will deliver a 75 basis point rate hike in June, up from 70% on Thursday and 28% a week ago, according to the CME FedWatch Tool.

The benchmark 10-year Treasury yield TMUBMUSD10Y, 2.905%, meanwhile, pulled back to around 2.909% after climbing about 8.1 basis points to 2.917% on Thursday, the highest since Dec. 4, 2018.

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And some are warning that the Nasdaq Composite is looking particularly vulnerable. The week has delivered some big earnings news for the technology sector, with investors cheering Thursday's results from Tesla TSLA, +0.72%, on the heels of deeply disappointing Netflix NFLX, -2.71% results.

“The technical situation looks suddenly far more bearish today [Friday] for equities after yesterday's powerful selloff, which took the Nasdaq-100 below the prior pivot low, possibly opening up for a run into the ultimate pivot low just below 13,000 from early March,” said strategists at Saxo Bank in a note.

“The broader S&P 500 index has yet to capitulate below recent lows but did see a dramatic rejection of the attempt to trade above the 200-day moving average yesterday,” they said.

All the 11 major S&P 500 sectors fell Friday, with healthcare stocks dropping the most after a downbeat profit forecast from HCA Healthcare Inc. HCA, -18.45% sent its shares tumbling. Other hospital operators, including Tenet Healthcare Corp. THC, -13.42%, Community Health Systems Inc. CYH, -16.36% and Universal Health Services UHS, -12.15% also fell between 10.4% and 13.2%.

However, of the 99 companies in the S&P 500 that have reported earnings for the first quarter, 77.8% of them have beat market expectations. Typically, 66% of companies beat estimates, according to Refinitiv data.

Next week will mark another big week for earnings, with 558 companies reporting, Saxo noted. “It is the big test of companies' ability to pass on costs to their customers,” they said.

What companies are in focus?

- **HCA** shares were down 18%, on pace for their largest percentage decrease since March 16, 2020, when they fell 19.02%, according to Dow Jones Market Data.
- **Gap Inc.** GPS, -19.56% stock tumbled more than 17%, following a bigger-than-expected drop in sales and as the retailer announced the departure of Old Navy CEO Nancy Green.
- Shares of **Qualtrics International Inc.** XM, -7.56% fell 7.6% after the experience-management software company reported fiscal first-quarter forecast-beating revenue.
- **Snap Inc.** SNAP, -0.31% shares rose 0.8% after the social media group reported quarterly

revenue that fell short of Wall Street's expectations.

- Shares of **American Express Co.** AXP, -1.29% fell 1.4% after topping earnings expectations Friday amid a continued rebound in travel and strong spending trends among younger consumers.
- **Verizon Communications Inc.** VZ, -6.44% fell after its earnings report showed a net loss of postpaid phone subscribers in its latest quarter, calling out "competitive dynamics within the industry," though it said it had its best quarter of broadband net additions in more than a decade.

#### How are other assets trading?

- The ICE U.S. Dollar Index DXY, +0.69% rose 0.6%.
- Bitcoin BTCUSD, -2.88% fell 2.4% to trade near \$39,500.
- The Stoxx Europe 600 SXXP, -1.79% dropped 1.8% while London's FTSE 100 UKX, -1.39% fell 1.4%.
- The Shanghai Composite SHCOMP, +0.23% rose 0.2%, while the Hang Seng Index HSI, -0.21% slipped 0.2% in Hong Kong and Japan's Nikkei 225 NIK, -1.63% fell 1%.

Source: [Why is the stock market falling? Dow drops over 600 points as investors weigh Fed's policy path, earnings](#)