

BUSINESS & FINANCIAL OVERVIEW**Dow, Nasdaq notch worst day in 4 weeks amid swirling central-bank policy**

U.S. stocks finished lower Thursday, retreating from records for the S&P 500 and Nasdaq, after a series of mostly disappointing earnings reports and fears that the Federal Reserve may be less aggressive than hoped in cutting interest rates next week after the European Central Bank's policy decision.

Technology-related stocks were also under pressure after electric-car maker Tesla TSLA, -3.21% failed to meet earnings expectations, while Wall Street digested a deluge of earnings reports on one of the busiest days of this quarterly earnings season. The Dow Jones Industrial Average DJIA, -1.05% closed 128.99 points, or 0.5%, lower at 27,140.98, representing its worst day since June 25. The S&P 500 index SPX, -0.90% lost 15.89 points, or 0.5%, to 3,003.67, and the Nasdaq Composite Index COMP, -0.79% fell 82.96 points, or 1%, to end at 8,238.54, also marking the tech-heavy index's steepest daily slide since June 25.

All 11 sectors of the S&P 500 finished in negative territory, led by a 1.2% slide in energy shares, while the technology sector firmly retreated, with the S&P 500 tech sector 0.8% lower. About a third of S&P 500 index companies have reported second-quarter earnings and 75% have posted a better-than-forecast profit, according to FactSet data. But companies have been reluctant to raise guidance and second-half estimates are being cut due to slower global growth, which is at least partly driven by disruptions caused by President Donald Trump's trade policies.

"P/E expansion is responsible for almost all the price appreciation this year, and stocks are starting to look a little pricey. Not yet to scary levels, but something to watch," wrote Ed Keon, chief investment strategist at QMA, a quantitative equity arm of PGM. Before the market opened, the European Central Bank laid the groundwork for further cuts to interest rates, announcing Thursday morning that it intends to leave official rates at "present or lower levels," at least through the first half of 2020. The announcement was in line with market expectations, with most economists expecting the bank to cut its deposit rate from 10 basis points, to -0.5% at its next meeting in September.

The move comes ahead of the Fed's July 30-31 policy gathering, where the U.S. central bank also is widely anticipated to cut benchmark rates by at least 25 basis points to combat headwinds from the China-U.S. trade dispute and signs of slowing economic growth outside of the U.S. Some analysts were concerned that ECB President Mario Draghi didn't provide enough detail as to the exact nature of its stimulus plans, in terms of which benchmark rates it may lower and if it would include the relaunching of a program of government bond purchases.

"No meat on the bone on what the package/stimuli might entail," wrote Piet Christiansen, senior ECB/euro-area analyst at Danske Bank in a tweet. As Draghi spoke, European and U.S. stocks turned lower, while the Euro appreciated against the dollar EURUSD, +0.0271%. On the data front, orders for long-lasting manufactured goods rose in 2% in June, above the 0.7% increase expected by economists polled by MarketWatch and improving on a 2.3% decline in May. Core capital orders, a key measure of business investment, also rebounded to 1.9% growth in June, the best reading in almost a year and a half, though such investment rose just 1% year-over-year. New applications for jobless benefits fell to 206,000 during the week ended July 20, below the 218,000 expected by economists, per a MarketWatch poll of economists, and near historic lows.

Economic data, along with the ECB's actions, have raised some doubts that the Fed will adopt a more dovish stance next week — one that would help drive stocks to further records. Tesla shares TSLA, -3.21% fell 13.6% Thursday, after the Silicon Valley car maker late Wednesday reported second-quarter results that missed Wall Street expectations. Tesla said it lost \$408 million, or \$2.31 a share, compared with a loss of \$718 million, or \$4.22 a share, in the year-ago quarter. Sales rose to \$6.3 billion, compared with \$4 billion a year ago.

Dow component Dow Inc. DOW, -3.28% stock fell 3.8% after the materials company reported second-quarter earnings that matched estimates, but revenues that fell more than expected. Shares of fellow Dow constituent 3M Co. MMM, -0.78% edged 0.7% lower, after the consumer, health care and industrial products company reported second-quarter profit and sales that fell less than expected.

