

US stocks tumble on Ukraine uncertainty
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The growing diplomatic crisis over Ukraine rattled markets, producing the deepest declines in US stocks for a single week since January.

All three indices fell, with the biggest losses coming in the Dow Jones Industrial Average, which sank 387.05 (2.35%) to 16,065.67.

The broad-based S&P 500 lost 36.91 (1.96%) at 1,841.13, while the tech-rich Nasdaq Composite Index gave up 90.82 (2.09%) at 4,245.40.

Wall Street saw a flood of headlines about Ukraine that pointed to a mushrooming crisis.

These included a series of aggressive moves by the Russian military in the region; a rise in violence at protests inside Ukraine; and inconclusive talks between Secretary of State John Kerry and his Russian counterpart Sergei Lavrov ahead of a referendum tomorrow on whether Crimea should secede from Ukraine.

"Investors fear the unknown," said Jack Ablin, chief investment officer at BMO Private Bank.

"Investors not only don't know what's going to happen, but investors don't know what the implications of what could happen are."

The US and European allies are preparing sanctions against Russia over Ukraine, which could begin with visa bans on senior Russian officials.

"Sanctions against Moscow have already been more or less priced in the market," said Peter Cardillo of Rockwell Global Capital.

"But the greatest fear is an escalation of an economic war between Russia and the West," he said. "Sanctions are a first thing. Then of course who knows what can happen afterwards?"

The week's biggest piece of US economic data was a surprisingly solid report on US retail sales for February, which rose 0.3%, bucking a trend of largely-weak data attributed in part to frigid weather that depressed economic activity.

Markets reacted to a series of poor datapoints out of China, including a reading that Chinese industrial output rose 8.6% in the January-February period, the lowest rate in five years.

"Each time US investors worry about China, it results in lower stock prices," said Dan Greenhaus, chief global strategist at BTIG.

The biggest corporate story of the week involved General Motors, which faces a plethora of questions over its recall of 1.62 million vehicles in North America.

GM disclosed that it knew of the problem with the ignition switches tied to the recall as early as 2001, three years before previously thought.

The Center for Auto Safety, an advocacy group, released a study that linked 303 deaths after airbags failed to properly deploy in vehicles recently recalled.

GM shares lost 9.6% for the week as congressional committees launched investigations into the recall. The Justice Department is also probing the issue, according to reports.

Also facing investigation is nutritional products marketer Herbalife, which took a hit on Wall Street after disclosing that the Federal Trade Commission has undertaken a probe of the company.

The investigation follows months of charges by activist investor William Ackman that Herbalife is a pyramid scheme. Herbalife shares sank 10.3% for the week.

In merger news, Chiquita Brands International Ireland's Fyffes announced that they would unite to form the world's biggest banana company, a venture that will have a combined value of US\$1.07 billion.

Also, Men's Wearhouse and Jos. A. Bank finally agreed to tie the knot after a lengthy and often contentious courtship that included unsolicited offers by each retailer to buy the other.

Next week's calendar includes a handful of corporate earnings reports, including Oracle, FedEx and Dow member Nike.

It will also be a heavier week of economic releases, with major reports on housing starts and industrial production, as well as a two-day meeting of policy makers at the US Federal Reserve.

While these items will get attention, investors will be most focused on Ukraine, said Ablin.

"Investors generally have very short attention spans and they're going to focus on the shiny object before them," said Ablin.

"This week, the shiny object is geopolitical developments, and I think that's where they'll be focused next week." – AFP, March 15, 2014.

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