Buybacks on steroids?

2016

20 Stocks With At Least One Billion Share Buyback Plan
In 2016 (click to enlarge)

Symbol	Company Name	Buyback
CSCO	Cisco Systems Inc.	$15 Bln
GILD	Gilead Sciences Inc.	$12 Bln
MMM	3M Co.	$10 Bln
CMCSA	Comcast Corp.	$10 Bln
GM	General Motors Company	$9 Bln
AMZN	Amazon.com Inc.	$5 Bln
AIG	American International Group	$5 Bln
SYMC	Symantec Corporation	$2.3 Bln
TJX	The TJX Companies, Inc.	$2 Bln
PRGO	Perrigo Co.	$1.5 Bln
K	Kellogg Company	$1.5 Bln
TRI	Thomson Reuters Corporation	$1.5 Bln
AKAM	Akamai Technologies Inc	$1 Bln
WYN	Wyndham Worldwide	$1 Bln
DPS	Dr. Pepper Snapple Group	$1 Bln
LEA	Lear Corporation	$1 Bln
ADI	Analog Devices	$1 Bln
ADS	Alliance Data Systems	$1 Bln
ZBH	Zimmer Biomet Holdings Inc.	$1.0 Bln
BBY	Best Buy Co Inc.	$1 Bln

Share buybacks may trigger the next leg down for U.S. stocks

Published: Mar 9, 2016

HSBC expects 'substantial decline' in stock buybacks

Apple Inc. has been one of the bigger buyers of its own stock; will that slow in 2016?

By

CIARA LINNANE

CORPORATE NEWS EDITOR

TOMIKILGORE

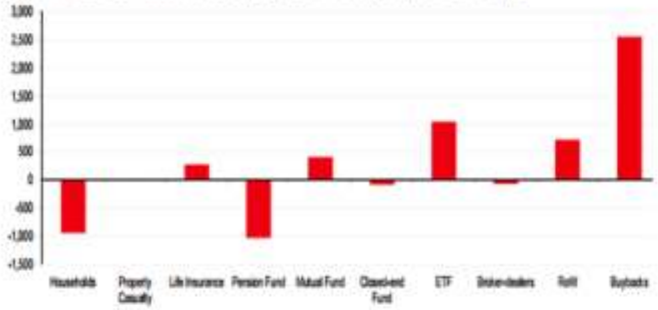
REPORTER

Will share buybacks be the trigger for the next major leg down for the U.S. stock market?

Two HSBC analysts believe they might, but not for the reasons you may think.

U.S. companies have been the main buyer of U.S. equities in the form of share buybacks, since new rules were introduced in 1982, according to HSBC analysts Anton Tonev and Davey Jose in a new report.

Chart 7. Total cumulative real equity demand 2008-15, real USDbn, US



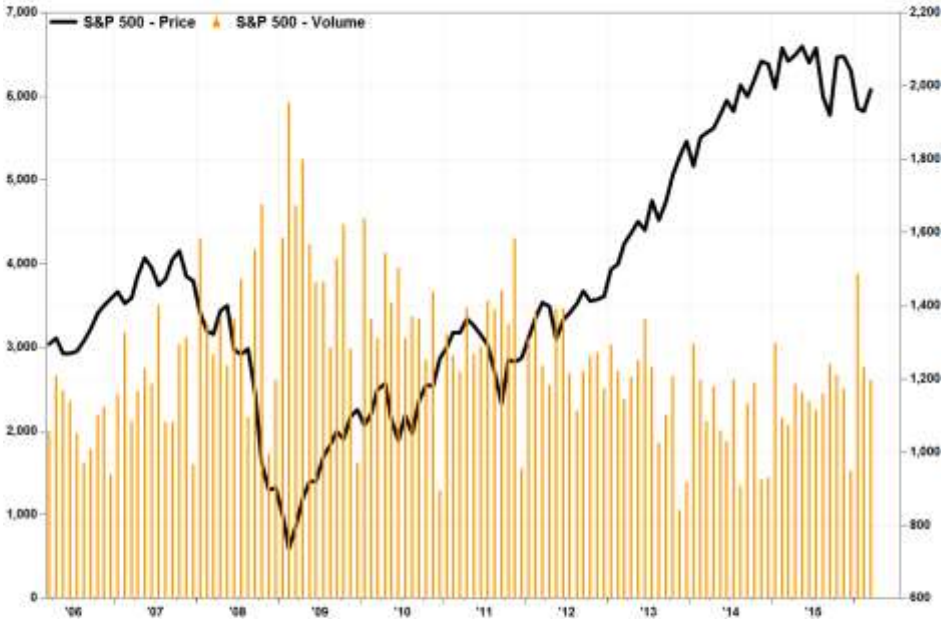
“A squeeze on company profits and a rise in U.S. corporate funding rates could cause a substantial decline in buyback activity and thus marginalize a major buyer of U.S. equities,” the analysts wrote in the report.

The rule they are referring to is 10b-18, which was adopted by the Securities and Exchange Commission in 1982 to provide a ‘safe harbor’ for companies from liability for manipulating their stock price by buying back stock.

Before that year, the main buyers of U.S. equities were traditional buyers, institutional investors, private households, pension funds, mutual funds and others. Since 1982, traditional equity demand exceeded net share buybacks only in the early 1990s, after the savings & loan crisis, in the early 2000s, after the dot-com collapse, and in 2009 after the 2008 financial crisis, said the report.

But 2009 was more of an aberration as buybacks dried up for just that year, unlike the period of three years that followed other crises. The buyback machine has been on full throttle since 2006 and continued after the 2009 decline to the present day, said the report.

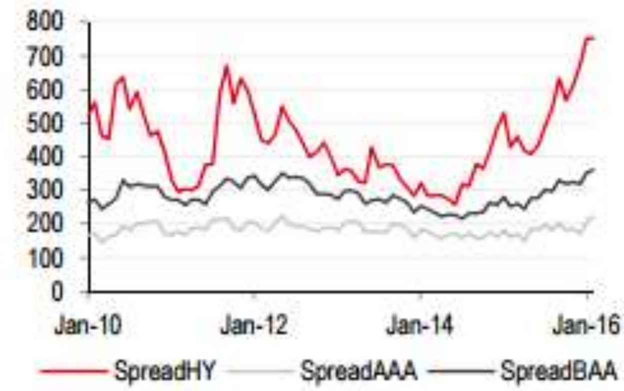
The influence of buybacks on the overall stock market has likely increased in recent years, as the total value of shares repurchased rose while overall trading volume fell.



Source: FactSet

The HSBC analysts are expecting companies to take their foot off the accelerator now for four reasons. First, many companies conducted buybacks using funds raised in the credit markets, but widening spreads have made it more expensive to borrow.

Chart 12. US bond spreads, bp



Source: HSBC calculations, Bloomberg

At the same time, companies appear to be in an “earnings recession,” after suffering three quarters of earnings declines. “Given a worsening earnings and economic outlook, a further decline in U.S. profit margins in 2016 is conceivable,” they wrote.

The third factor is the threat of regulation. Buybacks have been widely criticized because of their relationship to executive pay. Many companies use stock options and stock awards to reward managers, effectively giving them an incentive to get the share price higher. Share buybacks can bolster a share price by reducing the number of shares outstanding, and boost per-share earnings, as that denominator also changes.

Senators Tammy Baldwin and Elizabeth Warren have publicly called on the SEC to look into whether buybacks are a form of market manipulation, while Democratic presidential candidate Hillary Clinton has criticized them as emblematic of Wall Street's short-term thinking.

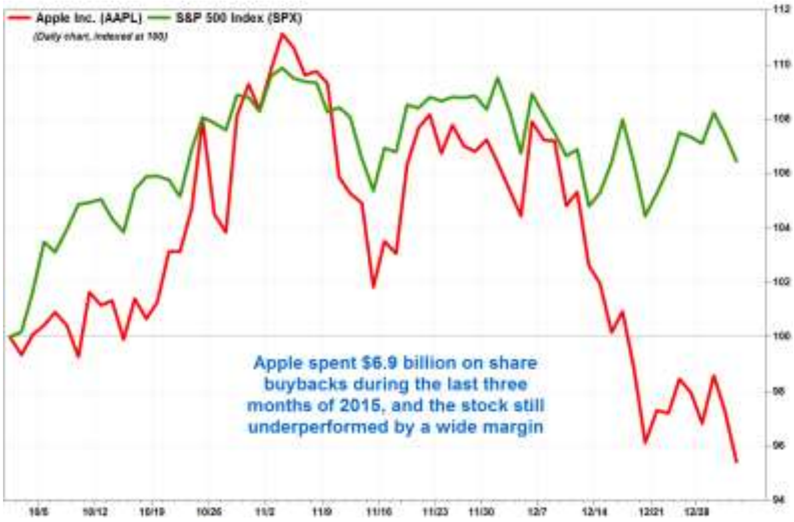
Other complaints include that they use up funds that could better be spent on measures to stimulate growth, and that many companies conduct them while their stock is trading at high levels.

The fourth factor is negative interest rates, already in place in many economies around the world and a tool the Federal Reserve may decide to use in the future. Negative rates would make borrowing in the bond markets cheaper, but would also suggest an environment of even lower growth, putting further pressure on earnings.

Companies could also stop spending money on buybacks for a much simpler reason—they stopped working.

A recent research note from Goldman Sachs showed that a basket of stocks of companies conducting share repurchases has trended lower relative to the S&P 500 over the last year.

For example, Apple Inc. **AAPL, +0.09%** disclosed in a regulatory filing that out of a total of $11.4 billion spent on financing activities during the last three months of 2015, $6.9 billion, or about 61%, was spent on share repurchases. And yet Apple's stock fell 4.6% during that time, while the S&P 500 climbed 6.5%.



Source: FactSet

In contrast, a basket of companies that Goldman deemed as having strong balance sheets has outperformed a basket of weak-balance-sheet companies by a wide margin over the last couple of years. Basically, it's been better for shareholders for companies to use excess cash flow on shoring up their balance sheet rather than buying back stock.

Share buyback machine remains in overdrive and experts warn it will end badly

Published: Feb 11, 2016 7:14 a.m. ET

Companies are draining funds with buybacks, instead of investing in growth

By

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Is Corporate America letting its cash drain away?
In the midst of a gloomy earnings season, the share buyback machine has remained in overdrive, and some experts are cautioning it will all end badly.

Companies, even those that are missing profit and sales estimates and cutting outlooks, or restructuring and cutting jobs, are still announcing buybacks. Coming after a long period of intensive spending on shareholder returns, the news is bad for investors hoping to see a return to growth.

“We continue to be skeptical about how companies are deploying capital, especially when it’s tied to stock-based compensation,” said Ben Silverman, vice president of research at InsiderScore, a research firm that tracks buybacks and legal insider trading for institutional clients. “We believe buybacks can be used to mask management’s inability to grow the business and be innovative thinkers.”

William Lazonick, professor of economics at University of Massachusetts Lowell and director of the Center for Industrial Competitiveness., went a step further, suggesting that buybacks have the potential to push the U.S. into recession. He argues that companies are using them to prop up share prices at the expense of reinvesting in the business and supporting job stability and long-term growth.

“It has the potential to really drive the economy into the ground,” he said. “Companies have given away so much money, it’s been a long-run secular problem that has contributed to why income is so concentrated at the top.”

Data shows that 78% of the total compensation paid to executives at the top 500 U.S. companies in 2014 went on stock options and stock awards, he said. “Executives are basically incentivized and rewarded for getting the stock up, and buybacks are a prime way of doing that,” he said.

The emergence of aggressive activist hedge funds has exacerbated the problem, as they deliberately target companies with strong cash flow that can be strong-armed into distributing those funds.

‘It behooves people not to look at buybacks as some kind of magic bullet to put a floor under the stock. ’Ben Silverman, VP at InsiderScore

Many activist shareholders, including billionaire investor Carl Icahn, have pushed companies to return more of the cash they hold to shareholders through share buybacks. The idea is that buybacks boost earnings per share by reducing the number of outstanding shares, and the additional buying can raise the share price. However, It doesn’t always work out that way.

For example, GoPro Inc. **GPRO, -1.05%** said late Wednesday that it spent $35.6 million to buy back stock during the fourth quarter, at an average price of $23.05, but to little avail.

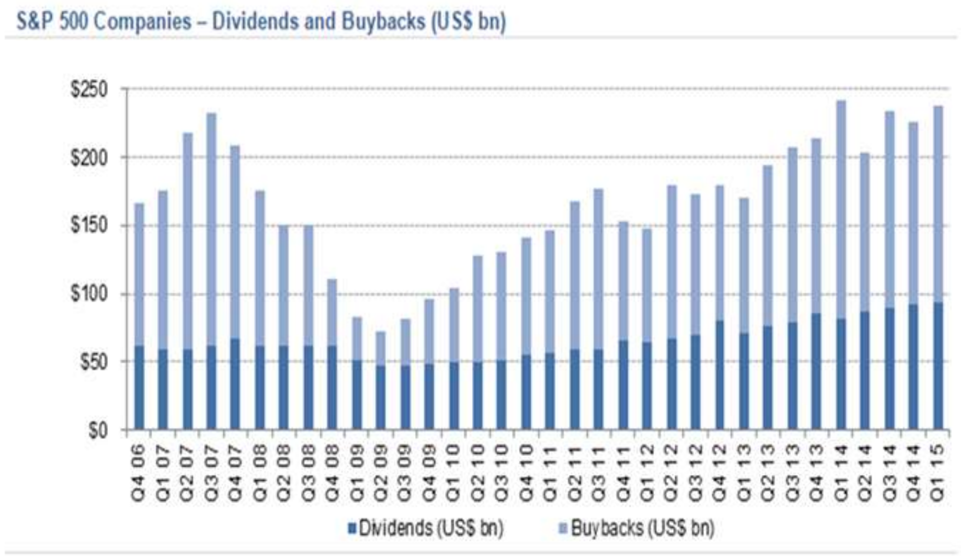
The company still reported a surprise fourth-quarter loss, and provided a dismal first-quarter sales outlook. And the stock ended the fourth-quarter $18.01, which was 22% below the average price the company paid to buy them back.

Source: FactSet

On Thursday, it tumbled 8.5%, toward a record closing low, that was nearly 60% below what the company paid just a few months ago.

“I always caution retail investors to not get too excited about buybacks, because what are they doing?” Silverman said. “If the stock price is not increasing, they’re just repatriating capital without getting additional value from it.”

Shareholder returns in the form of dividends and buybacks hit a record $245.7 billion in the third quarter, according to a report Thursday from Aranca (Investment Research), up 4.9% from the year earlier period. On a trailing 12-month basis, returns to shareholders stood at a record $934.8 billion in the quarter, beating the previous record of $923.3 billion set in the second quarter of 2015.
“The trend is expected to continue to reach another record figure of $950 billion for 2015 and may likely touch the trillion-dollar mark,” said Aranca.

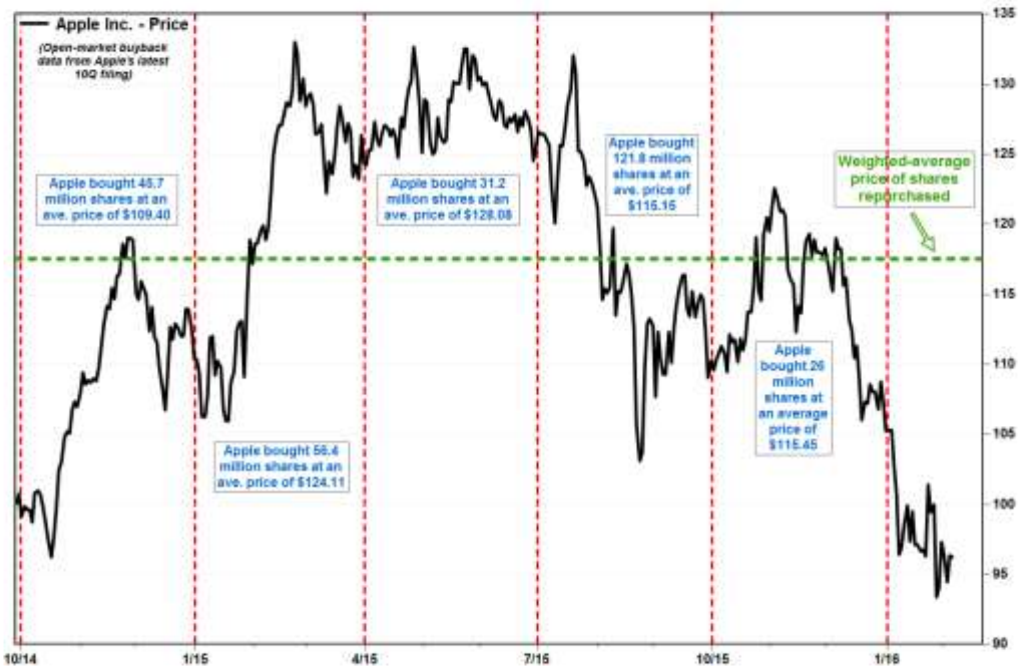


Source: S&P Dow Jones Indices, Aranca Research

Companies that spent large sums on buybacks in the December quarter may be wishing they had waited, given the massive across-the-board selloff in January.

“It does appear to be ill-timed,” said Silverman. “Companies as a group bought into strength, rather than weakness.”

A good example of this has been Apple Inc. **AAPL, +0.09%** The technology giant repurchased 281.12 million shares in open-market transactions over the past five quarters, at a weighted average price of $117.48, according to an analysis of data provided in the company’s latest quarterly filing.



Source: FactSet

The stock was trading at $96.60 in afternoon trade Thursday, or 18% below the average price the company paid.

"It behooves people not to look at buybacks as some kind of magic bullet to put a floor under the stock," Silverman said. "At the end of the day, the market will typically reward companies that run their businesses well."

Apple CEO Tim Cook acts like he's insane, analyst says

Published: Feb 1, 2016 7:07 a.m. ET

Apple is destroying shareholder value by using up cash and raising debt, analyst says

By

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REPORTER

Apple Inc. Chief Executive Tim Cook is doing exactly what Albert Einstein said defined insanity—doing the same thing over and over again and expecting different results, according to analyst Trip Chowdhry at Global Equities Research.

In a conference call with analysts last week following [Apple’s disappointing fiscal first-quarter results](), Chief Financial Officer Luca Maestri said the company plans to be “very active in the U.S. and international debt markets in 2016 in order to fund our capital return activities,” according to a transcript provided by FactSet. Those “activities” will be detailed when second-quarter results are reported in April, Maestri said.
Given how badly the stock **AAPL, +0.09%** has performed relative to the broader market since the company started raising debt to pay out dividends and make share repurchases, Chowdhry suggests it would seem crazy that Maestri and Cook continue to make the same mistake.

Source: FactSet

Cook’s regime began in August 2011. A year later, succumbing to pressure from major shareholders [like billionaire activist investor Carl Icahn](), Apple paid out its first regular dividend in nearly 17 years on Aug. 16, 2012.
Since then, Apple’s stock has gained 7.1% through Friday, while the S&P 500**SPX, +0.51%** has climbed 37% and the Nasdaq Composite **COMP, +0.55%** has run up 51%. During the same time, Chowdhry points out that Apple has spent $110 billion on share buybacks, $43 billion on dividends and debt has skyrocketed to $63 billion.
“Obviously, share buybacks and dividends are not working,” Chowdhry wrote in a note to clients. “And somehow the current CFO thinks that doing the same thing over and over again may generate different results.”

Don’t miss: [Apple, Cisco and IBM prove that stock buybacks are a sham]().
What might be more concerning than simple price underperformance is how depressed Apple’s valuation has become, relative to the broader market.

Apple’s price-to-earnings ratio (last 12 months of earnings) has sunk to 10.33 as of Friday from 15.52 on Aug. 16, 2012, according to FactSet data. Over the same time, the P/E ratio for the S&P 500 has increased to 16.64 from 13.25.

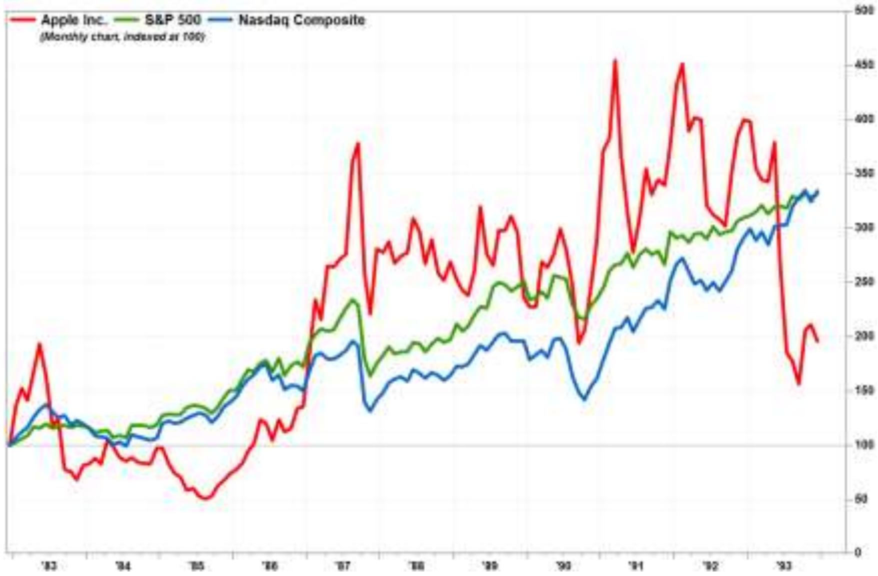
Source: FactSet

Chowdhry calculates that the potential shareholder value lost from the decline in Apple's P/E multiple relative to the S&P 500's is about $480 billion.

"Apple share buybacks have been a complete disaster," Chowdhry wrote.

The analyst compared Cook to John Sculley, Apple CEO from 1983 to 1993, who Chowdhry says was "instrumental in destroying Apple, and evaporating cash from the balance sheet." Apple started paying its first dividend under Sculley's reign in May 1987.

From the end of 1982 through the end of 1993, Apple's stock nearly doubled, but both the S&P 500 and Nasdaq Composite more than tripled.



Source: FactSet

One person who may be pushing for Cook to keep doing the same thing is Icahn, who owned 52.8 million Apple shares as of Sept. 30, according to the latest regulatory filings.

If he still owns that amount through Feb. 8, Apple will cut him a check for $27.44 million on Feb. 11, for the regular quarterly dividend of 52 cents a share.

Apple isn't really sitting on $216 billion in cash

Published: Jan 27, 2016

Apple's reserves are mostly overseas and in longer-term securities

Apple has more than $215 billion reserved, but Chief Executive Tim Cook isn't stuffing his couch cushions with cash.

By

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In its earnings report Tuesday, Apple Inc. again detailed a giant cash pile, with Chief Executive Tim Cook crowing of having "the mother of all balance sheets."

The more than $215 billion Apple has in reserve is a constant fascination of bloggers and market watchers, who imagine the company going on an acquisition spree or buying back (even more) company stock.

So why is Apple **AAPL, +0.09%** planning to go further into debt, as Chief Financial Officer Luca Maestri promised in Apple's conference call Tuesday?
The problem with Apple's "cash pile" is that most of it is not actually "cash" nor "on hand," and it doesn't take into account Apple's debt. Apple has about $16.7 billion in cash and equivalents on its balance sheet. The majority of the assets included in its reserve is stashed in long-term marketable securities, meaning Apple plans to let those funds — roughly $177.7 billion — accrue interest for more than a year.

More importantly, almost all of Apple's cash and securities are stashed overseas, proceeds from sales outside the United States that Apple will not bring back because it would then have to pay U.S. taxes. Maestri said Tuesday that $200 billion of Apple's reserves — a whopping 93% — are overseas, and Cook has expressly said Apple does not plan to sacrifice roughly 40% of that stash in order to bring the proceeds home to Cupertino, Calif.

While cash and securities pile up overseas, Apple is piling up debt in the United States. The company currently sits on about $53.2 billion in long-term debt obligations as well as $32.2 billion in "non-current liabilities," after executing a series of bond sales including the largest in history for a nonfinancial U.S. business.

And those debts don't include the cash Apple has promised its shareholders, which are mostly financed by its bond sales. After spending more than $8.8 billion on stock repurchases and dividends in the fourth quarter of 2015, Apple is a little more than three-quarters of the way through a $200 billion capital-return program that it believes will set a corporate record for stock buybacks. There is another $47 billion promised to shareholders.

The promise to investors is why Maestri said more debt is likely.

"We also plan to be very active in the U.S. and international debt markets in 2016 in order to fund our capital return activities," the financial chief said in Tuesday's conference call.

There is no doubt that Apple is raking in cash with its massive hardware sales, and has plenty of ammunition for potential acquisitions. But when you see blog posts that compare Apple's "cash pile" to the gross domestic products of small nations or detail what other companies Apple could buy with it, remember that Apple is actually borrowing to finance the promises it has already made

Opinion:

Apple, Cisco and IBM prove that stock buybacks are a sham

Published: Feb 1, 2016

The money is better off being spent on acquisitions and R&D

Apple's stock has gone basically nowhere since the start of an aggressive stock-buyback plan.

By

JEFF REEVES

COLUMNIST

Another earnings season, another load of massive stock-buyback announcements.

In the past few weeks alone, we saw:

• A $4 billion boost to General Motors' **GM, +0.79%** stock-buyback plan, bringing the total to $9 billion.
• A new $4 billion buyback plan from MasterCard **MA, +0.38%**
• A new $10 billion buyback program at battered oil company Schlumberger**SLB, +0.07%**

The repurchase amounts are big, and they are only getting bigger.

"Among the 1,900 companies that have repurchased their shares since 2010, buybacks and dividends amounted to 113% of their capital spending, compared with 60% in 2000 and 38% in 1990," Reuters said in a recent special report on thebuyback craze.

You would think that with all that cash being plowed into stock buybacks, investors would be reaping the rewards. But, sadly, more often than not, the buybacks are simply a waste of money as shares are bought at inflated values, diluted by employee stock awards and ultimately come at the cost of growth and innovation.

Here's why stock repurchases are good for nothing, and why companies like Apple**AAPL, +0.17%** Cisco **CSCO, +2.07%** and IBM **IBM, +0.96%** need to wake up and stop wasting their money on buyback boondoggles.

Stock buybacks are often ill-timed

Amusingly, corporations frequently embark on massive buyback schemes after they have seen big growth, not before. That means they are particularly susceptible to buying shares at a peak.

And when you're deploying billions of dollars, paying even just a 5% or 10% premium can add up to serious waste.

A great example is Apple, which tried to appease Wall Street as its growth slowed in 2012 by announcing a stock-buyback plan. And it began that mission by spending almost $2 billion between Sept. 30 and Nov. 3, 2012, in the range of $80 to $90 a share (adjusted for splits).
Apple then proceeded to crash to as low as the $50s in 2013, and didn't reclaim the $90 mark until mid-2014.

Now, the buyback bulls may assert that Apple wisely kept the pedal down across these lows to keep buying its shares at what is roughly half the current share price. However, that's hardly a defense considering Apple's stock has gone basically nowhere since the start of this aggressive buyback plan; the shares are falling close to $90, where Apple was after launching the scheme back in 2012.

And by the way, that includes a $6 billion accelerated share repurchase in May 2015 at an average price of $124.24 — on top of $7 billion spent in the fiscal second quarter of 2015 for an average price of $124.11, and $4 billion spent in the fiscal third quarter of 2015 for an average price of $128.08!

That's a 30% premium from current prices that investors may not see again in 2016 after a rather ugly first-quarter earnings report.

As Warren Buffett famously said in his 2012 letter to Berkshire Hathaway shareholders: "In repurchase decisions, price is all-important. Value is destroyed when purchases are made above intrinsic value."
Apple apparently hasn't gotten that memo.

The money is better off being spent on acquisitions and R&D

Phantom buybacks don't actually reduce shares
Worse than buying back shares for a big premium, however, is buying back shares aggressively and not actually reducing the outstanding share amount.

My favorite example of phantom stock buybacks is Cisco. Because while on paper the company looks like it is committed to returning capital to shareholders, the reality is very different than the narrative.

"During fiscal 2015, we repurchased and retired 155 million shares of our common stock at an average price of $27.22 per share for an aggregate purchase price of $4.2 billion," Cisco says in its 2015 annual report, filed in September.
Good stuff, right? Logically, that means there are 155 million fewer Cisco shares than at the end of fiscal 2014, right?

Wrong.

In fact, on the very first page of its 2015 10-K, Cisco reports 5.061 billion common shares outstanding … while on its 2014 10-K it reports 5.099 billion common shares — a drop of just about 38 million, which is less than a quarter of the purported buyback.

That's because Cisco loves to grant stock-based awards to employees. In fact, share-based compensation expenses in fiscal 2015 were $1.44 billion.

So if you're one of those suckers who thinks the repurchases are meant to juice earnings per share, you should be more skeptical of those Cisco press releases crowing about returning capital to shareholders.

I have no beef with stock-based compensation in principle, as long as those receiving awards remain loyal, motivated and deliver shareholder value, but a look at the long-term performance of Cisco seems strongly at odds with that concept.

Opportunity cost is real for corporations
If you think the examples of Cisco and Apple may not apply to your specific holdings, it's worth considering the overall waste of buybacks across the market at large.

Consider that Apple has spent $110 billion over a little more than three years. That is a truckload of money! In fact, at current valuations, only 36 companies in the entire S&P 500 would be too pricey for Apple to buy them with that kind of change.

And if you don't like the idea of acquisitions because they tend to be boondoggles in and of themselves, consider all the R&D or staff or equipment that kind of capital could have been spent on.

Consider a recent analysis by Reuters, which calculated that IBM spent $125 billion on buybacks since 2005 but only $111 billion in capital spending and R&D. That would be fine if IBM was on top of its game, but the shares are down 22% in the past five years versus a 65% rise for the S&P 500 as revenue continues to declineand new products can't roll out fast enough or generate enough money to keep Big Blue's numbers from shrinking.
Sure, it's a leap of faith to think IBM could have deployed that cash effectively. But $125 billion is a lot of dry powder, and any objective shareholder has to admit that the tech giant hasn't delivered on its promises of innovation and growth over the past half-decade.

Buybacks come with a steep opportunity cost. And given the aforementioned trends of companies often repurchasing stock at inflated prices and then awarding stock to offset any reductions, it's not unfair to ask if those billions would be better spent elsewhere.

These earnings suggest we may be headed for recession

Published: Jan 31, 2016

Slowdown in China and falling oil prices lead to corporate sales recession

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Are these weak earnings the canary in the coal mine?

Another day, another flurry of gloomy earnings reports.

Thursday was the busiest of the current season so far, and while there were some bright spots, it mostly continued the trend of widespread sales misses and lowered guidance for the rest of the year.

A wide range of companies have missed sales forecasts this week, weighed down by the now familiar list of factors that include the strong dollar, the slowdown in China and the weakness in commodities. There is also growing concern that the Federal Reserve may have pulled the trigger on interest-rate hikes too early.

As per-share earnings are more easily manipulated through such actions as share buybacks, the sales number is a key metric in understanding underlying performance. And the stream of sales misses has analysts using the R word—recession, either confined to the industrial sector or even applied to the broader economy.

Source: FactSet

Reflecting the gloom, Credit Suisse analysts on Thursday revisited lessons learned from past recessions, in an attempt to address growing concerns about the state of the world.

That’s after the U.S. equity market’s dismal performance in 2016 so far with the S&P 500 **SPX, +0.51%** down 8% and the Dow Jones Industrial Average **DJIA, +0.21%** off 8.3%.
The bank’s economists are still expecting growth of just above 2% for the next two years, although they acknowledge risk stemming from credit markets, energy and China. “Given these risks and escalating investor fears, we have taken a deep dive into the implications for U.S. equities if the U.S. falls into recession,” they wrote in a note.

The bad news: history suggests recessionary periods lead to a 33% pullback in equities on average, the analysts found. The good news: that is typically followed by a rebound of 62% on average.

Source: FactSet

However, “if a recession is unfolding, the historical playbook suggests that a bottom in U.S. equities may still be far off. Through their January 2016 lows, the Russell 2000 and S&P 500 had fallen 23% and 13%, respectively, from their 2015 highs—far less than the average and median drops in these indices in the past five economic downturns (37% and 34% for the Russell 2000, respectively, and 32% and 27% for the S&P 500).”

About a third of S&P 500 companies have now reported and the index is on track for a median 3.5% decline in sales, according to FactSet data. That’s the data provider’s blended growth rate, which combines those companies that have reported with the estimates for the rest.

As recently as September, analysts were expecting a more modest 1.1% median decline in sales.

Fourth-quarter sales scorecard

Name of index/sector	Number reported (percent of total within S&P 500)	Blended growth (%)	Growth estimate (%) as of Sept. 30, 2015
S&P 500	171/504 (33.9%)	-3.5	-1.1
Consumer discretionary	20 (23.3%)	+4.6	+4.7
Consumer staples	11 (28.9%)	+1.3	+3.0
Energy	9 (22.5%)	-35.2	-31.3
Financials	40 (45.5%)	+2.6	+4.4
Health care	19 (33.9%)	+7.7	+7.3
Industrials	30 (45.5%)	-7.0	-3.2
Information technology	28 (40.6%)	-4.6	+0.9
Materials	9 (33.3%)	-14.6	-5.8
Telecommunications Services	2 (40%)	+11.9	+14.1
Utilities	3 (10.3%)	-0.01	-0.33
			FactSet

Expectations for the current quarter have also fallen sharply. Analysts were expecting the first quarter to show growth of 4.3% back in September. On Thursday, that number had shrunk to 0.7%.

The S&P 500 is on track for its fourth straight season of negative sales, according to FactSet, the longest such negative streak since the four-quarter stretch from the fourth quarter of 2008 to the third quarter of 2009. The S&P 500 index has fallen 7% in the last 12 months.

Per-share earnings are looking at a deeper decline of 5.7%, which is an improvement from a decline of 6.3% on Wednesday. It will be the third straight quarter that earnings decline.

Among the weaker reports Thursday, Altria Group Inc. **MO, +0.82%** bucked the current positive trend for tobacco companies with below-consensus sales and profitand news it will cut jobs in a cost-cutting program that aims to save $300 million annually. The Marlboro maker said the cuts would come from its selling, general and administrative areas and result in $210 million in employee-separation costs that will be recorded in the first quarter.

Harley-Davidson Inc. **HOG, +1.45%** cut its shipments outlook for 2016 as profit slumped 43% and its market share slid to 50.2% from 53.3% in 2014. Private-equity giant Blackstone Group's **BX, -2.23%** profit fell 64%. Stanley Black & Decker Inc. **SWK, +0.33%** sales fell 4.6%, instead of climbing as analysts weer expecting. Johnson Controls Inc. **JCI, +1.07%** fresh from its Monday merger with Tyco International **TYC, +0.56%** said sales and profit fell, and sale missed estimates. Caterpillar Inc. **CAT, +0.20%** swung to a loss and said its full-year sales declinewould be double earlier expectations, citing trouble in the U.S., Brazil and China.

Among the bright spots, Ford Motor Co. **F, -0.30%** swung to a profit thanks to strong U.S. truck sales, although analysts said pricing and the dollar are headwinds. Alibaba Group Holding Ltd. **BABA, +1.91%** beat on profit and sales. But Alibaba's gross merchandise volume, a key metric for the e-commerce giant, slowed to 23% from 28% last quarter, and a big slowdown from 50% growth in 2014.

"Oil is a barometer of global economic growth expectations, which have been revised downward several times in recent months," John Jares, senior portfolio manager at USAA Investments wrote in a market commentary to clients. "Most of the anxiety about this trend focuses on China, which in 2015 experienced its slowest pace of growth in a quarter century and is expected by many to slow even more this year."