

Stocks Slip From Major Benchmarks

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Stocks fell back after trading above significant benchmarks just before the close amid mixed economic and earnings news and light trading as the Northeast dug out from another major snowstorm.

The Dow Jones Industrial Average rose just a couple points to trade shy of 12,000, after closing just below that psychologically important benchmark on Wednesday. The last time the Dow closed above 12,000 was June 19, 2008.

General Electric and United Technologies led blue-chips higher, while Procter & Gamble and AT&T fell.

The S&P 500 also gained, but just shy of 1,300. The last time the broad market index closed above that level was Aug. 28, 2008. The Nasdaq gained the most in percentage terms, rising nearly 0.70 percent. The CBOE Volatility Index, widely considered the best gauge of fear in the market, fell below 17.

Among key S&P 500 sectors, consumer discretionary, industrials and financials gained, while telecom and consumer staples fell.

The market seemed to stall as it hit the major thresholds, but a sell-off doesn't appear to be in the offing, at least yet.

According to Yu-Dee Chang, chief principal at ACE Investment Strategists, over the past 90 years, the market in any given year has closed below the closing level of the year before at some point. In other words, "There's an 89% chance that we will give up what we gained this year," Chang says.

On average, the correction, when it happens is about 9 percent. Chang thinks it will be more in the neighborhood of 6 to 8 percent this time. By year end, however, Chang expects the market will deliver returns in the upper-single-digits to double digits.

As a result, he said he is "very cautiously long" the market with the caveat he is "getting ready to take a lot off the table." And when the market does correct, he said he'll be ready to step back in.

Certain indicators confirm the notion that the market is due for a sell-off, such as record numbers of stocks hitting 52-week highs, said Michael Sheldon, chief market strategist at RDM Financial Group. Another indicator: smaller capitalization stocks have tended not to outperform large caps in recent weeks, Sheldon said.

But he adds, "generally speaking, the environment remains positive. Any pullback that we see will mostly be short term in nature."

Microsoft's earnings came out just before the market closed as the tech giant reported its profit fell slightly as computer sales slowed. Microsoft's fiscal second-quarter profit was \$6.63 billion, or 77 cents per share, compared with \$6.66 billion, or 74 cents per share a year ago.

The dollar traded flat against a basket of currencies, while gold prices slumped 2 percent to close below \$1,319 an ounce.

Materials stocks fell as well, led by Newmont Mining , Freeport-McMoran Copper & Gold , and Cliffs Natural Resources .

Earnings news continued to largely surprise to the upside, although there were some weak reports on Thursday.

AT&T and Procter & Gamble weighed the Dow down after AT&T reported profits that narrowly beat estimates and P&G reported earnings that beat expectations, but were hurt by rising commodity costs.

Modest gains by Caterpillar were not enough to offset losses by the other Dow components. Caterpillar, which serves as both an economic bellwether and a major weight on the Dow in terms of market capitalization, initially had stronger gains, but lost momentum during the session.

In other earnings news, Colgate-Palmolive sank after reporting earnings that fell short of expectations, due to higher promotion costs and lower sales.

But Stanley Black & Decker soared past its 52-week high after beating analyst expectations for its 2011 outlook, as the company showed evident strength after the merger of Stanley Works and Black & Decker last March.

And Potash gained after profits more than doubled on strong sales. The fertilizer company also announced it would double its quarterly cash dividend and declare a stock dividend. S&P Equity Research raised Potash's price target to \$175 a share from \$150.

Several tech companies released earnings after the market closed Wednesday, including Netflix , which surprised with a surge in quarterly profits and an upbeat outlook for the current quarter. Shares of the entertainment distribution company soared. At least half a dozen brokerages raised their price targets for Netflix, with Cannacord Genuity striking the highest target of \$250 a share. Another four brokerages raised their ratings for the stock.

And Qualcomm's shares spiked higher after the chipmaker raised its outlook for the year on rising sales of the chips it makes for mobile phones. The company raised its revenue forecast for fiscal 2011 by \$1.2 billion. At least four brokerages raised their price targets for Qualcomm.

Motorola Mobility Holdings fell, however, after warning it would revert to a loss in the current quarter after posting a profit in the fourth quarter because of competition from

Apple's iPhone. This was the wireless company's first earnings release as a separate company.

Starbucks also reported results after the market closed Wednesday, and was slightly higher Thursday.

The world's largest coffee chain said it expects rising coffee prices to hit profits more than it previously thought. The news sent shares lower even though earnings came in above analyst forecasts.

Amazon.com was scheduled for release after the closing bell.

Oil prices slid nearly 2 percent Thursday to close below \$86 a barrel. Murphy Oil led the energy sector lower after reporting a 45 percent drop in fourth-quarter earnings. Shares of the oil producer sank as volume in the company rose to more than 420 percent of the stock's 10-day average.

In U.S. economic news, pending home sales rose 2 percent in December, which was more than expected, the National Association of Realtors reported Thursday. The trade group's pending home sales index rose to 93.7 from a downwardly revised 91.9 in November. Economists surveyed by Reuters expected the index to rise 1.0 percent.

Jobless claims soared 51,000 to 454,000, according to the Labor Department. That's far more than the slight rise to 405,000 expected by economists surveyed by Reuters. Claims from the week before were revised slightly lower to 403,000 from 404,000.

The surprising jump was likely due to the relentless snowfall in various parts of the country, which, among other things, slowed down the processing of claims, the government said. The less volatile four-week moving average of initial claims rose 15,750 to 428,750 last week.

Meanwhile, durable goods fell 2.5 percent, the Commerce Department reported. That was far worse than the 1.5 percent rise expected by economists surveyed by Reuters. When volatile transportation orders were stripped out, durable goods orders rose 0.5 percent, although this was also less than expected.

Investors were also concerned about Standard & Poor's decision to cut Japan's credit rating, as it points to potential weakness in the finances of developed economies.

The U.S. Treasury auctioned \$29 billion in seven-year notes at a high yield of 2.744, and a bid-to-cover ratio of 2.85.

On Thursday, monetary policy will remain in focus as U.S. Treasury Secretary Timothy Geithner traveled to the World Economic Forum's annual gathering in Davos where he was due to meet European Central Bank President Jean-Claude Trichet.

Geithner told the Wall Street Journal that he will reassure the global movers and shakers there that the U.S. has the political will and capacity to address its fiscal deficit and deliver on the program President Barack Obama outlined in his State of the Union address Wednesday.

Trichet told CNBC in Davos late on Wednesday that solving the euro zone crisis was “a work in progress” and repeated his call for the euro zone's rescue fund to be extended and made more flexible.

Investors are watching several key economic reports on Thursday, including weekly jobless claims—expected to rise to 410,000 for initial claims—and durable goods, both at 8:30 a.m.

Past performance is not necessarily indicative of future results. The risk of loss exists in futures trading.