



Stocks Trade Mixed; Oil Stabilizes, Cisco Skids

By Abby Schultz
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Stocks pared losses as oil prices stabilized and the dollar fell, as the market recovered from a steep commodities-driven selloff on Wednesday.

The Dow Jones Industrial Average fell more than 15 points after sliding more than 90 earlier in the session, and following a 1 percent drop on Wednesday as commodity prices tumbled on news that demand for oil and gasoline has slacked amid soaring prices. Global markets continued the sell-off after U.S. markets closed.

Cisco led Dow components lower after warning on Wednesday that it would perform worse than analysts had expected in the current quarter. Shares of the networking giant tumbled to the bottom of the S&P 500, taking the tech sector with it.

The S&P 500 fell, while the Nasdaq rose slightly. The CBOE Volatility Index, widely considered the best gauge of fear in the market, fell below 17.

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

The slide in stocks on Wednesday was a "risk off" trade, triggered by tumbling commodity prices and a rising dollar, said Yu-Dee Chang, chief trader and principal of ACE Investment Strategists. But Chang, noted, the stock market wasn't as "emotional" as the rest of the "risk on" assets, as the U.S. market fell only about 1 percent amid much steeper losses among precious metals and oil.

Once the dust settles on the Wednesday's move, and as long as the U.S. doesn't raise interest rates—which Chang doesn't expect to happen before the fall—stocks should move higher again.

"I still believe in lower dollar, higher precious metals, higher energy and higher market," he said. "I think it will present itself as a buying opportunity again, provided U.S. interest rates are not being raised."

The dollar, which rose on Wednesday, was slightly higher at the beginning of the session, but recently fell against a basket of currencies.

Oil prices, which nose-dived Wednesday, turned slightly higher. U.S. light, sweet crude traded rose above \$98 a barrel, after trading as low as \$95 earlier, while in London, Brent crude rose above \$112.

Energy stocks were also in focus as executives of the major oil companies, including Chevron, BP, Shell, ConocoPhillips and ExxonMobil testify before a Senate committee on a proposal to cut tax breaks for the industry.

Precious metals fell, but eased losses from earlier in the session. Silver futures fell to more than \$34 an ounce, while gold futures fell to above \$1,495.

Elsewhere in earnings news, Symantec gained after reporting solid earnings on Wednesday, and several brokerages raised their price targets for the computer security firm. And Kohl's rose after raising its profit forecast for the year, and reporting its gross margins were intact despite rising commodity costs.

Goldman Sachs sank after news that Rochdale Securities downgraded the investment firm to "sell" from "neutral." Analyst Richard Bove cited the decision by the Commodity Futures Trading Commission to request a fraud complaint against Goldman, as well as hedge fund billionaire Raj Rajaratnam's conviction on insider trading.

Meanwhile, S&P Equity research downgraded Goldman to "hold" from "buy," saying the investment firm faces "an increased risk of a material lawsuit by the Department of Justice for allegedly misleading clients by not disclosing its proprietary interest in certain CDO (collateralized debt obligation) sales." S&P Equity also cited mandates from financial reform legislation as headwinds.

A slew of economic data was released before the market open, giving a mixed picture of the economy.

Retail sales rose 0.5 percent in April from an upwardly revised 0.9 percent gain in March, the Commerce Department reported Thursday. While higher, the gain was the smallest in nine months, and economists surveyed by Reuters had forecasted retail sales to rise 0.6 percent.

Jobless claims posted a big drop of 44,000 to 434,000 in the week ended May 7, according to the Labor Department. But the number of new unemployment claims remains above 400,000, which is considered the top level of a healthy job market. Economists forecasted claims would drop to 430,000.

The producer price index rose to 0.8 percent in April, from 0.7 percent gain in March, the Labor Department said. Core producer prices, stripping out food and energy costs, rose 0.3 percent in April, the same gain seen in March. Economists surveyed by Reuters forecasted core producer prices to rise 0.2 percent.

Also, business inventories rose 1 percent in March and sales rose 2.2 percent, the Commerce Department reported. The gains for inventories, the 15th in a row, was to \$1.48 trillion. A rise in inventories usually leads to gains in factory orders.

Federal Reserve Chairman Ben Bernanke is speaking to Congress on Thursday about major financial reforms.

FDIC Chair Sheila Bair and SEC Chair Mary Schapiro will also testify at the Senate Banking hearing, which is on the implementation of Dodd-Frank bank reform legislation.

The U.S. Treasury will auction \$16 billion in 30-year bonds.

Asian and European markets fell on Thursday as the renewed selloff in commodities unsettled investors. Mining and energy stocks fell.

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