

FINANCIAL TIMES

Media stocks drag Wall Street lower

By Michael Stothard
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News Corp lost ground as the furore over alleged phone hacking at one of its British newspapers deepened while US stocks were largely flat as investors paused for breath following the strongest rally for two years last week.

The media group was down 4.7 per cent to \$17.28, the worst performing stock on the S&P 500, as David Cameron, British prime minister, said he was backing a public inquiry into allegations of phone hacking at the News of the World.

This was the first big share price move since the latest set of allegations surfaced and comes as News Corp's is attempting a full takeover of BSkyB, the UK satellite broadcaster. The stock is still up 18.9 over the year, however.

The fall weighed on the S&P media index, which was down 0.9 per cent.

Elsewhere in the sector, there were reports that the owners of Hulu – which includes Walt Disney, News Corp and Comcast's NBC Universal – were committed to selling the video streaming service. Shares in Disney were down 1.4 per cent to \$39.43 while Comcast fell 0.6 per cent to \$25.81. CBS was also in the doldrums, falling 1 per cent to \$28.28.

These losses helped pull the S&P 500 into negative territory but the decline was fractional as traders were reluctant to place large trades ahead of crucial employment data on Thursday and Friday.

“The markets are probably just going to bounce around a bit until the employment report later this week,” said Yu-Dee Chang, chief trader at ACE Investment Strategists. “But the report is likely to surprise to the upside and I think the markets will continue up from there,” he said.

The S&P 500 index was essentially flat at 1,338.03 by mid-session on Wall Street.

The economic news from the session was largely disappointing.

Data from the Institute for Supply Management indicated that US non-manufacturing business had expanded less than expected last month.

The ISM index showed a reading of 53.3 in June, which was below the 54 expected by economists and down from 54.6 a month earlier. A reading above 50 signals expansion.

Separate figures from Challenger, Gray & Christmas, an outplacement consulting firm, showed an 11.6 per cent rise in planned job cuts in June to 41,432 from May's 37,135. This was a potential worry given the non-farm payrolls report coming out on Friday.

Financial stocks were the worst performing in the session as the sector continued to suffer from news in the previous session that Moody's had downgraded Portugal's debt to "junk" status.

Bank of America was down 2.3 per cent to 10.75 while Morgan Stanley lost 1.6 per cent to \$22.79.

The S&P financial index was down 0.7 per cent but is still up 4.3 per cent from the lows of last week.

The Dow Jones Industrial Average was up 0.3 per cent by mid-session on Wall Street to 12,604.60, helped by slightly gains in the industrial and material sectors.

The Nasdaq Composite added 0.1 per cent to 2,828.71.

Many analysts were still confident that the markets would march higher in the second half of this year – even despite the 5.6 per cent gains last week – as they believe that the US economy will start to pick up in the next few months from the "soft patch" of the last few months.

We "expect a second half recovery for the equity market," said analysts at Citigroup. "Strength from corporate America and some resolution on southern European and US debt concerns should lead to equity market gains."

In other news from Wednesday's session, General Motors was up 1.6 per cent to \$31.36 after Morgan Stanley added the automaker to its "best idea" list, saying share-price declines have made US carmakers more attractive.

Walgreen, the pharmacy chain store, was up 1 per cent to \$43.15 after reporting that same-store sales had risen by 4.8 per cent in June, which was well above analysts' estimates of 2.2 per cent growth.

It has now been just over two years since the start of the US economic recovery.

Since then, the strongest stock on the S&P 500 has been Netflix, the DVD subscription and online video streaming service, which is up 600.6 per cent to \$175.70.

Other stocks to record big gains since the end of June 2009 include Wynn Resorts, the

US casino operator, which is up 396.9 per cent to \$153.06 and CBS, which has added 310 per cent to \$28.28.

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