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US Blue-Chip Stocks Slip As Earnings Prompt Growth Concerns

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By Kristina Peterson

NEW YORK (MarketWatch) -- U.S. blue-chip stocks slipped Friday as earnings spurred some worries over corporate growth and investors marked time ahead of a weekend meeting of the Group of 20 finance ministers.

The Dow Jones Industrial Average shed 28 points, or 0.3%, to 11119, in recent trading. On a day with no economic data, traders focused on earnings, but many hesitated as a meeting of finance ministers and central bankers from the Group of 20 big industrial and emerging economies got under way in Gyeongju, South Korea.

"We need some sense of direction over what's going to happen in currencies," said Michael Farr, president of the portfolio-management firm Farr, Miller & Washington. But he said the fact that "Friday seems to be something of a wishy washy day doesn't bother me much" with a steady stream of largely better-than-expected corporate quarterly reports against a backdrop of expected support from the central bank next month.

"A lot of the move is not only driven by earnings, but also the continued promise of more money from the Fed Reserve," he said.

The Dow's decline was led by American Express and Verizon Communications, despite quarterly earnings from both companies topping analysts' estimates. AmEx fell 2.7% on concerns that the company is seeing weak demand for new loans, with lending volumes still below pre-recessionary levels. Verizon dropped 1.6% on disappointment over slowing subscriber growth in its wireless arm.

The Nasdaq Composite rose 0.7% to 2477 and the Standard & Poor's 500-stock index edged up 0.1% to 1181.

Technology stocks led the measure's gains, boosted by encouraging earnings from chip-makers.

SanDisk added 1% after the memory chip maker's third-quarter profit jumped 39%, benefiting from its use in tablet computers.

Riverbed Technology, which makes products that reduce the load on networks, surged 20% after its third-quarter revenue topped analysts' expectations and its board approved a 2-for-1 stock split.

Compuware, CA Inc. and Amazon.com all reported earnings that beat Wall Street estimates. Compuware jumped 13% while CA added 4.4% and Amazon climbed 2.6%. The energy sector got a big boost from Schlumberger, which climbed 5% after the oilfield-services company's third-quarter earnings more than doubled, topping analysts' expectations.

Meanwhile, utilities were weighed down by a 3.4% drop in Exelon. The owner of nuclear plants posted a 12% increase in third-quarter profit as hot summer weather gave power transmission operations a boost, but investors were disappointed to see operating margin narrowed to 25.8% from 32.3% as costs rose.

The mixed reactions to earnings come as investors are trying to reconcile strength in profits, with nearly three-quarters of the S&P 500 companies that have reported third-quarter results topping earnings estimates, with other areas of concern as the economy remains weak.

"The profit news is constructive, but not enough to lead to a new leg higher," said Nick Kalivas, vice president of MF Global.

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The market is also watching whether the G-20 finance ministers, in preparation for a G-20 summit in Seoul next month, can agree on managing exchange rates to cool what's been called a "currency war." Also on the G-20 agenda are proposed Basel III rules on boosting banks' capital requirements and tighter rules on hedge funds.

Nevertheless, the Dow industrials and the S&P 500 are on pace to close the week in positive territory, which would mark their third-straight week in the black and seventh weekly gain out of the last eight weeks. The Nasdaq climbed narrowly into positive territory for the week on Friday, up just 0.3%.

The U.S. Dollar Index, tracking the U.S. currency against a basket of six others, edged up 0.1%. Treasuries declined, pushing the 10-year note yield's up to 2.57%. Crude-oil futures crept higher, while gold futures also advanced.

Among stocks in focus, Chipotle Mexican Grill jumped 15%. The restaurant chain's third-quarter profit rose 40% as same-store sales and traffic improved. The company also boosted its same-store sales target for the year.

Wilmington Trust shares surged 12%. Trading in the bank was halted two times Friday afternoon when its jump set off a single-stock circuit breaker twice on reports Wilmington is in talks with Canadian banks.

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