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MARKET UPDATE by Dow Jones Newswires (Author Archive)

Published June 7, 2010 4:50 PM | A A A

Dow Finishes Below 'Flash Crash' Low

STOCKS TUMBLING TO end below their "flash crash" lows Monday, hurt by worries about U.S. consumer spending and European credit.

The Dow Jones Industrial Average, which traded with modest gains and losses throughout most of the session, suffered a swoon in the last hour of trading to end just shy of its session lows, off 115 points, or 1.2%, at 9816. The measure's close also marked a 7-month low and a dip below the trough of 9870 on May 6, when a sudden computer-generated wave of selling hit.

Much of Monday's loss came after the Federal Reserve released data painting a mixed picture of of consumer borrowing in the U.S. Such activity unexpectedly rose in April but fell in March, suggesting Americans aren't too comfortable with their finances despite the budding economic recovery.

Traders and analysts said Monday's selling was driven by a fearful sentiment among investors that doesn't seem likely to abate anytime soon. Until recently, the U.S. had been viewed by many traders as a relative safe haven at a time of economic stress elsewhere.

But in the wake of Friday's weak jobs report, combined with Monday's shaky consumer-credit reading, that assumption is looking shakier in many participants' eyes.

"People are realizing that investing for a more modest economic recovery makes sense," said Michael Farr, president of the portfolio-management firm Farr, Miller & Washington. "But that has to be done with great care."

The Dow was also hurt Monday was weighed down by a 3.4% decline in **Bank of America (BAC: 14.83, -0.52, -3.38%)**. The bank is paying \$108 million to settle regulatory charges that Countrywide Financial, which it acquired nearly two years ago, collected outsized fees from about 200,000 borrowers facing foreclosure. The Federal Trade Commission said the money will be used to reimburse borrowers.

AT&T (T: 24.32, +0.15, +0.62%) rose 0.6% after changing its phone upgrade policy to allow more of its customers to purchase a new **Apple (AAPL: 250.94, -5.03, -1.96%)** iPhone sooner. The move came as Apple unveiled a new version from the iPhone. Apple fell 2%.

An unexpected rise in German manufacturing orders lifted hopes for Europe's economic recovery on Monday, but investors said worries persist over whether financial instability in Hungary points to a broadening debt crisis.

The euro remained weak, trading at \$1.1914, as concerns over sovereign debt in Europe persisted. The three-month Euro Interbank Offered Rate, or Euribor, the rate at which interbank term deposits in the monetary union are offered, rose to 0.711% on Monday from 0.707% on Friday. Monday's fixing was the highest since Dec. 17, 2009.

The dollar strengthened slightly against the British pound as well, but it was weaker against the Japanese yen. That left the U.S. Dollar Index up 0.3%.

The Nasdaq Composite dropped 2%, hurt by the declines in Apple and a 2.7% drop in Google.

The Standard & Poor's 500-stock index advanced slipped 1.4%, led by a 2.6% drop in its industrial sector, which tends to be sensitive to concerns about global growth. **Cummins (CMI: 62.94, -3.41, -5.13%)** and **General Dynamics (GD: 62.08, -3.10, -4.75%)** were off about 5% each, while **Caterpillar (CAT: 55.83, -1.93, -3.34%)** and **United Technologies (UTX: 63.22, -1.92, -2.94%)** fell about 3% each as investors worried about how a strengthening dollar will cut into those companies' profits from exports.

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Meanwhile, gold futures advanced \$23.10, or 1.9%, to \$1,239.30, the largest one-day gain in both dollar and percentage terms since Feb. 16.


Among stocks in focus, **Goldman Sachs** (GS: 138.68, -3.57, -2.50%) dropped 2.5% after the bipartisan commission investigating the U.S. financial crisis said it issued a subpoena to Goldman for failing to provide information in a timely manner.

American depository shares of **BP** (BP: 36.76, -0.40, -1.07%) slipped 1.1% despite an announcement by the company that a cap it installed last week over a portion of the oil leak in the Gulf of Mexico continues to capture oil and that the amount collected is expected to increase over coming days.

Bristol-Myers Squibb (BMY: 23.86, +1.42, +6.32%) jumped 6.2% after an experimental drug designed to enhance the body's immune system improved survival in people with a deadly form of skin cancer, though side effects were sometimes severe, a new study found.

Treasury prices rose. The 10-year note gained 18/32 to yield 3.142%.

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