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# Eurozone debt fears weigh on Wall Street

By Andres Schipani in New York

Stock trading was volatile as investors digested the news that the US trade deficit jumped more than expected and as concerns over a potential spillover effect from the European debt crisis weighed on markets.

The benchmark S&P 500 was in positive territory by mid-session, up 0.2 per cent to 1,322.01, reflecting a rebound after a 0.3 per cent fall at the opening bell.

Among key S&P sectors, technology and industrials slid while financials, health and consumer discretionary saw gains.

The top gainers in the latter sector included luxury retailers such as **Tiffany**, up 0.4 per cent to \$80.86, and **Coach**, up 0.5 per cent to \$66.54.

**Macy's**, the department store chain, was also in positive terrain, up 0.9 per cent to \$29.86.

The Dow Jones Industrial Average zigzagged after ending at its lowest level of the month in the previous session but moved 0.2 per cent higher to 12,528.69.

The Nasdaq Composite remained below the red line, down 0.2 per cent to 2,797.44.

The Vix volatility index, known as Wall Street's "fear gauge", rose 3 per cent to just under 19.

"After two days of double-digit decline, now some money is going into more defensive sectors," said Ralph Fogel, partner and investment strategist for wealth management and advisory firm Fogel Neale Partners in New York.

He added that even though "everybody hates bank stocks, the country cannot move forward without banks".

Ahead of the key second-quarter earnings, **Bank of America Merrill Lynch** was up 0.8 per cent to \$10.35 while **JPMorgan Chase** was up 0.7 per cent to \$39.69.

**Cisco**, the networking gear company, was up 3.2 per cent to \$15.92 following news that it could eliminate as many as 10,000 jobs, almost 14 per cent of its workforce, to boost profit growth.

**News Corp** was up 1.1 per cent to \$15.65 following news that Rupert Murdoch's media group had started a \$5bn stock repurchase scheme.

The embattled company's shares dropped more than 7 per cent in the previous session and have wiped out nearly \$7bn in market value since July 5, with the UK phone-hacking scandal compromising its chances of a successful takeover of the 61 per cent of BSkyB that it does not own.

**Alcoa**, the US's largest aluminium producer and the first Dow member to report results, regained ground after a lacklustre start to trading, rising 0.2 per cent to \$15.94.

Its second-quarter earnings exceeded expectations and the group showed confidence in its outlook.

However, there are some concerns over margins due to a rise in raw material costs.

Eleven other companies on the S&P 500, including **Google**, will announce earnings this week.

In the financial sector, **Capital One** and Progressive are due to release reports on Thursday while **Citigroup** will do so on Friday.

Analysts estimate that companies included in the S&P 500 index will post average earnings growth of 13 per cent from a year earlier, the lowest increase in two years.

Exceeding forecasts by economists, the May US trade deficit grew 15 per cent to \$50.2bn, according to commerce department figures released on Tuesday, the biggest since October 2008.

"This was really unexpected, all of the economists came nowhere close," said Mr Fogel.

Barack Obama, US president, is expected to meet Congressional leaders again on Tuesday to keep pressuring them to agree on a budget deal in order to avoid a disastrous default.

Investors are also focused on minutes from the Federal Reserve Open Market Committee's last meeting to get clues into the Fed's thinking of how the US economy is doing.

“Looking ahead, it is likely that modest growth in final demand, plus a need to keep inventory gains in sync with final demand growth, will prompt moderate growth in merchandise imports,” said Joshua Shapiro, an economist at MFR.

“Export expansion is being supported by economic recovery abroad and a competitive dollar”, he added. “On a net basis, we look for foreign trade to be a small negative for GDP growth on an underlying basis, with the dollar volume of import growth modestly outpacing that of exports.”

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