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U.S. Stocks Retreat as Bernanke Prepares to Raise Discount Rate

By Rita Nazareth

Feb. 10 (Bloomberg) -- U.S. stocks fell, led by commodity producers, as Federal Reserve Chairman Ben S. Bernanke said he may raise the discount rate for direct loans to banks "before long" as policy makers unwind economic stimulus measures.

Newmont Mining Corp. and Chevron Corp. lost more than 1.2 percent after the Fed released Bernanke's prepared congressional testimony. Sprint Nextel Corp. slid 8.5 percent as the third-largest U.S. wireless carrier reported sales that trailed analyst estimates, while Dean Foods Co. slumped 14 percent after the nation's biggest dairy processor forecast profit below projections.

"Finally, the U.S. is taking Greece off the cover page," said **Joseph Saluzzi**, co-head of equity trading at Chatham, New Jersey-based **Themis Trading LLC**. "The Fed's announcement certainly did not help the market. Nobody expects them to be raising rates like they normally do. So they're trying something creative. These are different times now."

The Standard & Poor's 500 Index fell 0.1 percent to 1,069.47 at 12:25 p.m. in New York. The Dow Jones Industrial Average lost 11.64 points, or 0.1 percent, to 10,047. About 3.9 billion shares changed hands on all U.S. exchanges, 5.2 percent fewer than at the same time a week ago as trading slowed amid a snow storm in the U.S. Northeast.

U.S. benchmark indexes fluctuated at the start of trading as investors weighed the prospects of a possible financial bailout of Greece by fellow European Union country Germany.

Greece Concern

Equity-index futures erased an early advance before the open of New York exchanges as a German official said no decision has been made on a Greek rescue. Stocks rallied yesterday, sending the Dow Jones Industrial Average back above 10,000, as prospects for a Greek bailout eased concern that deteriorating government finances will derail the global economic recovery. The Dow increased 1.5 percent yesterday, the biggest gain since Nov. 9.

An official said German Finance Minister Wolfgang Schaeuble told lawmakers that options for helping Greece extended beyond loan guarantees. The lawmaker, who attended a briefing at the Parliament in Berlin today, spoke on condition of anonymity because the discussions were confidential.

So far, 327 companies in the S&P 500 have reported fourth-quarter earnings since Jan. 11, and about 76 percent have beaten analysts' estimates, according to data compiled by Bloomberg.

Confidence in the world economy dropped in February on concern worsening government finances in some European nations will threaten the global recovery, according to a Bloomberg survey of users on six continents.

Confidence Slumps

The Bloomberg Professional Global Confidence Index dropped to 54.9 from 66.6 in January, when the reading was at the highest level since the series began two years ago. The index exceeded 50 for a seventh straight month, which means there were more optimists than pessimists. The survey was conducted last week, before Germany and other European Union nations signaled they may help support Greece's government finances.

Most Bloomberg users were less optimistic on the outlook for their equity markets in the next six months, with respondents in the U.S., the U.K. and Spain turning bearish.

Gauges of raw-materials and energy fell at least 1.2 percent, for the two biggest declines in the S&P 500 among 10 industries today.

Newmont, the world's second-largest gold producer by sales, dropped 2.9 percent to \$44.48. Chevron, the second-biggest U.S. energy company, lost 1.2 percent to \$70.44.

Sprint Tumbles

Sprint Nextel dropped 8.5 percent to \$3.34. The third-largest U.S. wireless carrier reported fourth-quarter sales that missed analysts' estimates after losing contract customers to rivals. Sales dropped 6.7 percent to \$7.87 billion, while analysts in a Bloomberg survey had projected \$8.04 billion on average.

Dean Foods lost 14 percent to \$15.14. The biggest U.S. dairy processor forecast 2010 profit excluding some items of \$1.64 a share at most. On average, the analysts surveyed by Bloomberg estimated earnings of \$1.70.

Micron Technology Inc. declined 9.1 percent to \$8.25. The biggest U.S. producer of computer memory agreed to buy flash-chip maker Numonyx Holdings BV of Switzerland for about \$1.27 billion to help it compete better with Samsung Electronics Co.

Wyndham Worldwide Corp. had the biggest gain in the S&P 500, climbing 4.9 percent to \$22.26. The franchiser of Days Inn hotels and Super 8 motels reported a fourth-quarter profit and said it will triple its dividend.

Dell Inc. rose 1.6 percent to \$13.77. Bank of America Corp. raised its recommendation on the world's third-largest maker of personal computers to "buy" from "neutral," citing the stock's underperformance relative to the market since November.

Baidu, Adobe

Baidu Inc. soared 8.5 percent to \$472.14. The operator of China's biggest Internet search engine forecast first-quarter sales that topped analysts' estimates after rival Google Inc. said it may exit the country.

Adobe Systems Inc., the largest maker of graphic-design software, advanced 1.5 percent to \$32.79 after Credit Suisse Group AG raised its recommendation on the stock to "outperform" from "neutral." The shares will "trend higher over the next few months given the pending release of the next version of Creative Suite in April," the brokerage wrote in a report. Jefferies & Co. also recommended clients buy the shares.