

Stocks edge lower

By Alexandra Twin
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NEW YORK (CNNMoney.com) -- Stocks slid Thursday, although they finished off their session lows, as investors weighed cautious comments from a regional Federal Reserve president about the health of the economy and a mix of quarterly profit reports.

The Dow Jones industrial average (INDU) lost 30 points, or 0.3%, the S&P 500 (SPX) index dipped 4 points or 0.4% and the Nasdaq (COMP) composite dropped 13 points, or 0.6%.

After an early boost from Exxon Mobil and a drop in weekly jobless claims, the market's tone turned negative.

"A lot of the earnings have been good, but the Fed speak and the economic reports over the last two days have not been helping," said **Joseph Saluzzi**, co-head of equity trading at **Themis Trading**.

Plaguing the market were worries about Friday's initial GDP report for the second quarter and Federal Reserve Bank of St. Louis President James Bullard's warning about the threat of deflation to the economy.

The GDP report is expected to show second-quarter growth at a 2.5% annualized rate, down from the 2.7% rate reported for the quarter.

Bullard warned that the Fed's current policies were putting the United States at risk of falling into an extended period of falling wages and prices.

The warning was noteworthy because Bullard, a voting member of the Fed's policy committee, has previously been an inflation hawk, more focused on the threat of higher prices and costs.

"Stocks are driven by companies' ability to drive earnings growth and most of the earnings and forecasts have been looking pretty good," said Dave Hinnenkamp, CEO at KDV Wealth Management. "But investors are still jittery because of all the headline news on the economy."

Low summer trading volume exacerbated the market moves. "There's such slight volume that you're seeing these quick reactions," **Saluzzi** said.

Stocks were also vulnerable near the end of a strong month in which all three major indexes have risen just short of 7%, as of Thursday's close.

On Wednesday, the markets finished lower on a worse-than-expected durable goods orders report and weaker quarterly results from Boeing.

Quarterly results: Dow component Exxon Mobil (XOM, Fortune 500) reported higher quarterly earnings and revenue thanks to an increase in oil prices versus a year ago. Earnings results topped estimates, but analysts surveyed by Thomson Reuters expected higher year-over-year revenue growth. Shares fell 0.9%.

Colgate-Palmolive (CL, Fortune 500) tumbled 6.8% after the maker of toothpaste and pet food products reported second-quarter sales that were shy of forecasts. The company said weaker consumer spending accounted for slower sales, as well as the impact of devaluation of the Venezuelan currency. Colgate cut its full-year profit outlook.

A number of consumer stocks tumbled as well, including Dow components Procter & Gamble (PG, Fortune 500) and Kraft Foods (KFT, Fortune 500).

On the upside, consumer products maker Avon Products (AVP, Fortune 500) reported higher quarterly revenue and earnings that topped expectations. The company said increased sales of beauty products and strength in its Latin American market helped to offset weakness on home products and the impact of currency fluctuations. Shares gained 2.5%

Ballmer: Microsoft feels tablet 'urgency'

Company news: Trading in Cisco Systems (CSCO, Fortune 500) was briefly halted in the late morning after it triggered a circuit breaker by jumping at least 10% in a five-minute period. NYSE Amex, where the trade occurred has said it will stand, following examination. Cisco shares ended down 0.8%.

Circuit breakers were instituted in the wake of the May 6 "flash crash" in which the Dow lost nearly 1000 points in a matter of minutes before recovering due to faulty trades.

Amazon (AMZN, Fortune 500) released the Kindle 3 on Wednesday, the newest version of its e-reader. Due to the ongoing e-reader price war, the company also released a cheaper model that sells for \$139. Shares ended little changed.

Jobs: The number of Americans filing for first-time unemployment benefits fell by 11,000 to 457,000 last week, the Department of Labor reported in the morning. Claims were expected to dip to 464,000, according to a consensus of economists surveyed by Briefing.com.

Continuing claims, a measure of Americans who have been receiving benefits for a week or more, rose to 4,565,000 from 4,484,000 in the previous week. Economists expected 4,550,000 claims on average.

Hugo Chavez hurts toothpaste, makeup sales

World markets: European markets fell. The CAC 40 in France fell 0.5%, Germany's DAX fell 0.7% and the FTSE 100 lost 0.1%.

Asian markets were mixed. Japan's Nikkei fell 0.6%. The Hong Kong Hang Seng index ended just above unchanged. The Shanghai Composite gained 0.6%.

Currencies and commodities: The euro fell against the dollar, while the U.S. currency gained versus the Japanese yen.

U.S. light crude oil for September delivery rose \$1.27 to \$78.26 a barrel on the New York Mercantile Exchange.

COMEX gold for August delivery climbed \$7.60 to \$1,168.50 per ounce.

Bonds: Treasury prices were little changed, with the yield on the 10-year note at 3%, roughly where it stood late Wednesday. Bond prices and yields move in opposite directions.

Market breadth: Breadth was mixed. On the New York Stock Exchange, winners narrowly beat losers on volume of 1.18 billion shares. On the Nasdaq, decliners topped advancers on volume of 2.33 billion shares.