



Bernanke Bust: Dow Drops 109 on 'Uncertain' Fed

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The Dow suffered a triple-digit selloff on Wednesday as new comments from Fed chief Ben Bernanke reminding Wall Street of the "unusually uncertain" nature of the economic recovery spooked the markets and drowned out a cluster of bullish earnings reports

Today's Markets

The Dow Jones Industrial Average fell 109.43 points, or 1.07% to 10120.53, the Standard & Poor's 500 lost 13.89 points, or 1.28%, to 1069.59 and the Nasdaq Composite sank 35.16 points, or 1.58%, to 2187.33. The FOX 50 dropped 9.17 points, or 1.17%, to 776.40.

As if any evidence was needed of Wall Street's disdain for uncertainty, Bernanke's testimony on Capitol Hill triggered another wave of risk aversion and reinforced fears of a double-dip recession. While the economic commentary wasn't all that different from recent Fed forecasts, the markets clearly didn't appreciate the reminder of the fragile recovery.

"Whenever we see some strong comments come out of Washington, we're going to get that reaction in the market. I don't think there was much that was said that we weren't anticipating," NYSE trader Jonathan Corpina, senior managing partner at Meridian Equity Partners, told FOX Business. "Yes, we know there's uncertainty that's going to be there. Yes, we know Europe is something we need to keep on our radar screen."

Still, stocks dropped sharply in the minutes after the testimony seeped into the markets and cash fled to the relative safety of U.S. bonds, sending the yield on the two-year Treasury note to the lowest level on record. Also, the VIX, or the markets' so-called "fear gauge," soared nearly 8%.

"He's saying things are not as good as we expected them to be. The market was certainly taken aback by it," said **Joe Saluzzi**, co-head of trading at **Themis Trading**.

The gloomy outlook from the Fed overshadowed a slew of very strong earnings reports from major companies, headlined by Apple (AAPL: 254.24, 2.17, 0.86%), Morgan Stanley (MS: 26.73, 1.48, 5.86%) and Wells Fargo (WFC: 26.1, 0.23, 0.89%).

The Dow was led lower by financial giants JPMorgan Chase (JPM: 38.43, -1.18, -2.98%) and Bank of America (BAC: 13.37, -0.3905, -2.84%), which fell roughly 3% a piece. Johnson & Johnson (JNJ: 57.11, -1.51, -2.58%) and Alcoa (AA: 10.58, -0.27, -2.49%) also posted large declines. The index's best performers were Coca-Cola (KO: 54.08, 0.84, 1.58%) and Caterpillar (CAT: 66.85, 0.41, 0.62%).

The Nasdaq Composite underperformed the broader markets despite Apple's big earnings beat. The index was led lower by chip maker Altera (ALTR: 27.54, -0.77, -2.72%) and Yahoo! (YHOO: 13.91, -1.29, -8.49%), which tumbled 8% after a weaker-than-expected revenue report.

"There is an abundance of doubt and caution. Many would argue that this is precisely the type of environment to buy equities in. My sense is that very few have the conviction or stomach for it," Peter Kenny, managing director at Knight Capital Group, wrote in a note.

The steep declines on Wall Street come after the Dow soared more than 220 points off its lows on Tuesday, overcoming early jitters sparked by sub-par revenue figures from blue-chip companies.

Wall Street increased its losses and turned solidly negative after Bernanke called the economic outlook "unusually uncertain" and forecasted for moderate growth over the next several years. Bernanke said the Fed is prepared to take further actions as needed and warned of a slow pace for reducing unemployment. In response, the markets were pricing in the lowest chances of a rate hike by year end of the entire cycle.

"We remain prepared to take further policy actions as needed to foster a return to full utilization of our nation's productive potential in a context of price stability," Bernanke said.

Despite the mood on Wall Street, the markets received a mostly positive batch of second-quarter results from Corporate America on Wednesday. For example, Apple blew away Wall Street's expectations with a 78% surge in second-quarter profits and EPS of \$3.51. Analysts had been predicting EPS of just \$2.01. Sales soared 61% to \$15.7 billion, compared with estimates for just \$14.75 billion.

However, the tech sector was more focused on Seagate Technology (STX: 13.14, -1.39, -9.57%), which reported weaker-than-expected quarterly results and projected revenue for the current quarter that would miss estimates. Likewise, Yahoo!'s (YHOO: 13.91, -1.29, -8.49%) stock took a hit in response to a revenue miss.

Financial stocks failed to rally around Morgan Stanley, which surged as much as 10% after it countered recent lukewarm reports from Citigroup (C: 3.95, -0.05, -1.25%) and Goldman Sachs (GS: 147.036, -1.974, -1.32%) by nearly doubling expectations with non-GAAP EPS of 80 cents. Analysts had projected EPS of just 46 cents.

Energy stocks declined by about 1.5% as crude oil reversed course and fell below \$77 a barrel in the wake of a bearish inventory report. After topping out at \$78.57 earlier, crude oil settled at \$76.56 a barrel, down \$1.02, or 1.31%. On the other hand, copper, which is looked at as a good gauge of global economic sentiment, jumped 2.99% a pound to \$3.0870. Gold lost 10 cents a troy ounce, or 0.01%, to \$1,191.60.

Corporate Movers

BP (BP: 36.11, 0.92, 2.61%) saw its stock rise 2.6% a day after inking a \$7 billion deal to sell some of its oil and gas assets to Apache (APA: 87.39, -0.91, -1.03%) to help pay for costs related to the huge oil spill in the Gulf of Mexico. Meanwhile, BP also denied a Times of London report that CEO Tony Hayward plans to step down within 10 weeks.

Coca-Cola (KO: 54.08, 0.84, 1.58%) beat the Street with a 16% rise in net income and non-GAAP profits of \$1.06 a share. Analysts had estimated EPS of \$1.02. However, sales rose by 5% last

quarter to \$8.67 billion, narrowly missing the Street's view of \$8.7 billion. Global volumes rose by 5%, including 2% in North America and 7% in Latin America.

Wells Fargo (WFC: 26.1, 0.23, 0.89%) posted second-quarter EPS of 55 cents a share, topping forecasts from analysts for 48 cents a share. Revenue came in at \$21.4 billion, narrowly exceeding estimates for \$21.395 billion.

Yahoo!'s (YHOO: 13.91, -1.29, -8.49%) second-quarter profits jumped 51% and its EPS of 15 cents beat estimates by a penny. However, the company's revenue of \$1.13 billion narrowly missed forecasts, sending its stock sharply lower.

United Technologies (UTX: 67, -0.54, -0.8%) reported a 14% rise in second-quarter net income and posted stronger-than-expected EPS of \$1.20. Analysts had expected \$1.16. Revenue rose 5% to \$13.9 billion, also beating estimates. The industrial conglomerate and Dow component also upped its 2010 EPS view to \$4.60 to \$4.70, compared with consensus views for \$4.66.

Textron (TXT: 19.65, 1.56, 8.62%) soared 8.7% after the manufacturer blew away estimates with EPS of 27 cents. Analysts had been looking for EPS of just 9 cents. Revenue rose 3.7% to \$2.71 billion, compared with the Street's view of \$2.49 billion. Looking ahead, Textron projected non-GAAP EPS of 55 cents to 65 cents, which would beat forecasts for 50 cents.

Freeport-McMoRan (FCX: 66.03, 1.84, 2.87%) said its net income rose 10% and its EPS of \$1.40 easily topped the Street's view of \$1.28. Revenue jumped by a stronger-than-expected 18% to \$3.86 billion.

Altria (MO: 21.41, -0.11, -0.51%) reported a 2% rise in net income and EPS of 50 cents a share, matching the Street's view. The parent of Philip Morris also posted mostly in-line adjusted-revenue of \$4.34 billion.

Global Markets

The U.K.'s FTSE 100 climbed 1.46% to 5214.64, France's CAC 40 rose 0.75% to 3493.92 and Germany's DAX jumped 0.38% to 5990.38.

In Asia, Tokyo's Nikkei 225 lost 0.23% to 9278.83, Hong Kong's Hang Seng gained 1.1% to 20487.20 and China's Shanghai Composite climbed 0.26% to 2535.39.