

Wall Street stacks up losses as global risks rise



Wed, Dec 14 2011

By [Edward Krudy](#)

NEW YORK (Reuters) - Stocks fell for a third day and hit their lowest level in two weeks on Wednesday as widespread risk aversion sank commodity prices, sent the euro to an 11-month low against the dollar and drove Italy's borrowing costs to a euro-era high.

Investors are disappointed the European Central Bank is not buying more bonds of troubled European countries, a move that was widely seen as a requisite next step after leaders at last week's EU summit agreed to strengthen fiscal unity in the bloc.

With the euro zone debt crisis showing no signs of abating as Europe slides into recession, the outlook for the world economy is growing bleaker. The S&P 500 index has fallen more than 3 percent so far this week.

A 5 percent slump in oil prices hit energy stocks, with the S&P energy index down nearly 3 percent. Chevron .CVX fell 3 percent and was the biggest loser on the Dow behind industrial machine maker Caterpillar (CAT.N: [Quote](#), [Profile](#), [Research](#), [Stock Buzz](#)). Shares of Caterpillar, whose global operations are sensitive to the economy, fell 4.4 percent to \$87.

"There is a growing realization that the global economy is in jeopardy," said Bruce Bittles, chief investment strategist at Robert W. Baird & Co in Nashville, Tennessee. "Business is cooling everywhere. Right now, the U.S. appears to be operating in a vacuum, but that's not sustainable."

The S&P 500 .SPX fell below its 50-day moving average, signaling a breakdown of its recent trading range between that level and the 200-day moving average at the top end. The move has some analysts expecting further weakness.

Volume was moderate at 7.8 billion shares on the NYSE, Amex and Nasdaq, about 5 percent below the 200-day moving average -- a further sign of the difficulties traders and investors face in current market conditions.

"There could be a number reasons for it," said **Joe Saluzzi**, co-manager of trading at **Themis Trading** in Chatham, New Jersey. "Lack of confidence, people are tired of the moves."

December can be a volatile month, with traders closing books and everything from window-dressing ahead of the year-end to tax-loss selling contributing to swings in prices.

On NYSE about three shares fell for every one that rose.

The Dow Jones industrial average [.DJI](#) dropped 131.46 points, or 1.10 percent, to 11,823.48. The Standard & Poor's 500 Index [.SPX](#) fell 13.91 points, or 1.13 percent, to 1,211.82. The Nasdaq Composite Index [.IXIC](#) lost 39.96 points, or 1.55 percent, to 2,539.31.

The price of copper fell near a three-week low, the price of aluminum hit its lowest level in 17 months, and tin hit a three-month low. The S&P's materials sectors index fell more than 1 percent. Shares of miner Cliffs Natural Resources (CLF.N: [Quote](#), [Profile](#), [Research](#), [Stock Buzz](#)) dropped 2.6 percent to \$63.58.

Italy's borrowing costs rose to a euro-era record after an auction of five-year debt, while the euro fell to an 11-month low against the dollar.

Italy paid 6.47 percent to sell five-year paper just minutes after Berlin placed 4 billion euros (\$5.2 billion) of two-year bonds at an average yield of just 0.29 percent - a sign of the extent that investors favor safety over returns.

U.S. stocks have been weighed down this week on fears that the agreement at last week's European Union summit did not go far enough to resolve the two-year-old debt crisis.

"The main issue right now is the complete, absolute failure of the European Union to come to any kind of solution. They're back to where they started from," said Jeffrey Sica, president and chief investment officer of SICA Wealth Management in Morristown, New Jersey.

"Borrowing costs are going to rise, and that's going to continue to put pressure on us. The summits they've had have taken us nowhere, and soon we're going to pay the price."

Gold dropped to its lowest level since early October as the weak euro and a shortage of dollar funding near the year-end prompted investors to sell aggressively. Commodity-related shares were further pressured by the stronger U.S. dollar.

The Arca Gold Bugs index , which measures the performance of 16 of the world's largest gold producers, fell 3 percent. Shares of Yamana Gold (AUY.N: [Quote](#), [Profile](#), [Research](#), [Stock Buzz](#)), the Canadian producer, was one of the biggest losers, down 5.8 percent to \$13.98.

U.S. January crude fell \$5.19, or 5.18 percent, to settle at \$94.95 a barrel.

Shares of Chevron closed down \$3.09 at \$100.53. Federal prosecutors in the Brazilian state of Rio de Janeiro filed a lawsuit on Wednesday against Chevron and rig contractor Transocean over an oil spill off Brazil's coast last month, seeking 20 billion reais (\$10.6 billion) in damages.

Investors were also disappointed the U.S. Federal Reserve made no mention of possible new stimulus measures after its Tuesday meeting.

Though a majority of economists polled by Reuters expected no more Fed action to boost the economy in the short term, another survey showed most primary dealers saw the central bank enacting some type of stimulus.

Technology shares sold off sharply. A number of companies in the industry and beyond have cut earnings outlooks over recent days, another sign of the fallout from a slowing economy. The latest was First Solar Inc (FSLR.O: [Quote](#), [Profile](#), [Research](#), [Stock Buzz](#)), a maker of solar power systems, which tumbled 21.4 percent to \$33.45 after it cut its 2011 sales and profit forecast and said next year's profits would fall below Wall Street's view.

First Solar joins a list of companies, including Intel Corp (INTC.O: [Quote](#), [Profile](#), [Research](#), [Stock Buzz](#)), DuPont and Co (DD.N: [Quote](#), [Profile](#), [Research](#), [Stock Buzz](#)) and Texas Instruments Inc (TXN.N: [Quote](#), [Profile](#), [Research](#), [Stock Buzz](#)), which have cut their outlooks in recent days.

An index of home builder stocks dropped 3.3 percent after the National Association of Realtors said data on sales of previously owned homes will be revised downward because of double counting.

(Additional reporting by [Ryan Vlastelica](#) and [Angela Moon](#); Editing by Leslie Adler)