

# Tech slump leads US stocks back from records

July 19 2013, by Steve Rothwell

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The New York Stock Exchange is shown, Monday, July 15, 2013 in New York. Disappointing earnings from two U.S. technology giants sent world stock markets lower Friday July 19, 2013 while doubts about growth prospects for China and Japan offset better U.S. economic news. (AP Photo/Mark Lennihan)

(AP)—A bad day for technology stocks Friday stalled the stock market's big run-up.

Microsoft led the slump in tech stocks, falling the most in more than a

decade after the company wrote off nearly \$1 billion for expected losses on its new tablet and reported declining revenue for its Windows operating system. Google dropped after its revenue fell below analysts' forecasts, partly because the Internet search leader's ad prices took an unexpected turn lower.

With tech stocks falling, the Standard & Poor's 500 index was held to a gain of just one point to 1,690 in late afternoon trading. That would still be enough for the index to eke out another all-time closing high. The S&P 500 has rebounded from a poor performance last month and is up 5.2 percent in July.

Despite the market's broad advance this month, a growing list of poor tech results is raising concerns about the strength of the economy and the stock market. Intel and eBay also reported weak results this week, and chipmaker Advanced Micro reported a second-quarter loss because of a worldwide slump in PC demand.

Technology "has definitely been a sector that people have been expecting big things from and it has not delivered," said Randy Frederick, Managing Director of Active Trading & Derivatives at the Schwab Center for Financial Research.

The slump in tech companies offset an improved outlook for the U.S. economy from General Electric Friday.

The Dow Jones industrial average was down 18 points, or 0.1 percent, to 15,527 as of 3:39 p.m. (1939 GMT). If not for the declines in Microsoft and IBM, the index would have gained 50 points.

The technology-heavy Nasdaq composite fell 29 points, or 0.8 percent, to 3,582. The index is the only one among the major stock market benchmarks set to end this week lower.

Technology stocks in the S&P 500 have lagged the S&P 500 this year, gaining only 8.3 percent, while the broader index is up 18.4 percent. The industry is one of four of the 10 industry groups in the S&P 500 that are expected to see earnings growth contract in the second quarter.

So far, 104 companies from the S&P 500 have reported earnings. Two-thirds of them have beaten analysts' expectations, according to S&P Capital IQ data. Just under half have exceeded analysts' forecast for revenue, suggesting a muted picture for demand.

Microsoft dropped \$4.24, or 12 percent, to \$31.19 after reporting its earnings late Thursday, that's the biggest one-day decline since the stock slumped 14 percent in April 2000. Google fell \$13.10, or 1.5 percent, to \$897.30. It also posted earnings late Thursday.

The stock market is still up sharply in July after the Federal Reserve reassured investors that it won't pull back on its economic stimulus before the economy is strong enough. The U.S. central bank is currently buying \$85 billion in bonds every month to keep long-term interest rates low and encourage borrowing and hiring.

The S&P 500 is on track to log its best month since October 2011, when it surged 10.7 percent.

In government bond trading, the yield on the 10-year Treasury note fell to 2.49 percent from 2.53 percent late Thursday. Ten-year Treasuries have risen, pushing their yield lower, since July 5 when the government reported strong hiring in June. The yield rose as high as 2.74 percent on that day.

The pullback in bond yields should help stocks sustain their rally because it makes them look more attractive compared to bonds, said Paul Zemsky, head of multi-asset strategies for ING U.S. Investment

Management. Lower interest rates should also support the housing market and boost the economy.

"A lot of the fears that had come from these higher rates are abating," Zemsky said. "Rates have come back down and that's good."

The price of crude oil edged up a penny to \$108.05 a barrel. The price of gold climbed \$8.70 to \$1,292.90 an ounce.

Among other stocks making big moves:

— General Electric rose \$1.20, or 5.1 percent, to \$24.83 after posting a slight gain in net income in the second quarter. GE also said its U.S. operations are picking up steam. The results were better than analysts had forecast.

— Chipotle Mexican Grill climbed \$30.40, or 8.1 percent, to \$407.13 after the Mexican fast-food chain reported results that beat analysts' expectations.

— Whirlpool surged \$9.82, or 8.2 percent, \$129.20 after its second-quarter net income soared 75 percent as demand improved for its appliances. Whirlpool also benefited from some tax credits.

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