

# FINANCIAL TIMES

## Wall Street concerned about pace of recovery

By Samantha Pearson  
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US stocks relinquished early gains on Thursday after an unexpected fall in home sales left investors concerned about the pace of economic recovery.

The National Association of Realtors said existing home sales in August had dropped to an annualised rate of 5.1m from a rate of 5.24m in July. Economists had been expecting sales to rise to 5.35m.

Stocks had opened higher on encouraging jobs data. The number of Americans filing fresh claims for unemployment benefits last week dropped to 530,000 from a revised 551,000 in the previous week.

But by midday, the S&P 500 was down 1 per cent at 1,050.53. The Dow Jones Industrial Average lost 0.6 per cent to 9,691.80 and the Nasdaq fell 1.3 per cent to 2,103.24.

Investors also continued to mull over Wednesday's policy statement from the Federal Reserve, which had resulted in a sudden sell-off in the hour before the closing bell.

Choppy trading on Thursday set up the CBOE's Vix index, known as the volatility index or Wall Street's "fear gauge", for its highest close for just over two weeks.

**However, Randy Cass, founder of First Coverage, the research group that tracks market sentiment, said Thursday's declines were unlikely to spark a big pull-back.**

**"The sell-side has to see something that shows this rally is conclusively over, that the economy is going to double-dip, that something horrible is on the horizon. Only at that point in time will they actually tell the buy-side client base to take their money out of this market, to sell their long positions or to get short. Today is not that point."**

Commodity stocks led the market's declines on Thursday as oil prices dropped sharply. Alcoa fell 4.3 per cent to \$13.53 and United States Steel lost 3.6 per cent to \$48.04. After closing 2 per cent lower in the previous session, the S&P 500 materials index was down 2.1 per cent.

The financial sector, which helped lead the late sell-off on Wednesday, also gave up early gains and dragged the market lower. Bank of America lost 2.1 per cent to \$17.14 and JPMorgan slipped 0.1 to \$45.01.

However, Citigroup was flat at \$4.52 after the Wall Street Journal reported that the bank was planning to shrink its retail banking network.

Technology stocks had led the market's early gains.

Red Hat jumped 12.8 per cent to \$28.07 after the software company reported better-than-expected quarterly results and Banc of America-Merrill Lynch upgraded the stock.

The group, which is the world's biggest provider of Linux, the free operating system, has benefited from the rising popularity of open-source software as companies look to cut costs in the recession.

Shares of 3Com gained 3.8 per cent to \$4.96 after the company's first-quarter results exceeded expectations. The group, which competes with Cisco, has gradually been gaining share in the enterprise networking market and the shares have more than doubled in value over the past year.

But Electronic Arts, which makes video games, fell 3.8 per cent to \$19.08 after a Microsoft executive quashed rumours that it was planning to buy the company.

Chelsea Therapeutics lost the most ground on the Nasdaq, dropping 66 per cent to \$2.40 after the biotechnology company reported disappointing trial results.

American Greetings helped boost sentiment after reporting a steep increase in second-quarter profit. Revenue still fell at the company, which owns brands such as Carlton Cards, but cost-cutting improved the bottom line. The shares soared 26 per cent to \$18.83.

In the retail sector, Bed Bath & Beyond, the variety chain, reported better-than-expected profits for the second quarter. However, the shares fell 4.2 per cent to \$37.39 after the company refrained from boosting its profit outlook.

Rite Aid reported a smaller quarterly loss than expected, thanks to cost-cuts, but forecast a deeper loss for the year. Shares in the pharmacy chain fell 11.5 per cent to \$1.73.