

FINANCIAL TIMES

Wall St slips amid financial shares sell-off

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April 19, 2010

The impact of the fraud charge levied against Goldman Sachs last week continued to reverberate through US markets yesterday, pulling the financials sector lower. However, strong results from Citigroup provided some support.

Shares in Goldman, which led a sharp market correction on Friday as they dipped more than 12 per cent, were 1.3 per cent lower at \$158.62, as Britain and Germany called for a probe of the company.

“Sell-side sentiment for financials has come down a little bit following the Goldman news, but has not fallen off the table,” said David Allen, director of sales at First Coverage, a research group that tracks market sentiment.

However, he said that First Coverage data showed that the sell-side had been taking some money off the table in financials stocks since the end of March.

At midday, the S&P 500 was down 0.7 per cent at 1,184.33, the Dow Jones Industrial Average had lost 0.3 per cent to 10,982.54 and the Nasdaq Composite was 1.2 per cent lower at 2,452.64.

Citigroup was up 2.5 per cent to \$4.68, though it had opened the day nearly 7 per cent higher. The bank reported better-than expected first-quarter, aided by declining losses from bad loans and lower expenses.

Vikram Pandit, Citi chief executive, however warned: “Realistically, we do not expect our performance to follow an invariable trend-line upward.” But he also said the bank’s long-term outlook appeared “bright”. But Citi was the exception to the trend. Morgan Stanley pulled back 0.9 per cent to \$28.89, JPMorganChase lost 1.9 per cent to \$44.68 and Bank of America fell 1.9 per cent to \$18.06.

Eli Lilly was flat at \$36.53 as it cut full-year forecasts, citing the healthcare bill passed by Congress last month as a contributing factor. The drugmaker expects full-year earnings of \$4.40 to \$4.55 per share, excluding special items, reduced from its earlier forecast of \$4.65 to \$4.85 per share.

However, first-quarter earnings were better than expected at \$1.18 per share excluding some items, compared with average analyst expectations of \$1.10 per share.

Palm lost 12 per cent to \$4.92 as the smartphone maker said Michael Abbott, head of software and services, had resigned.

Maynard Um, analyst at UBS, said the executive-retention programme announced by the company last week indicated that a deal was not pending. The broker has a “sell” rating on the stock and a target price of \$4. Oilfield services group Halliburton lost 0.7 per cent to \$31.41 after it posted quarterly profits that fell 46 per cent from the same period a year earlier, hurt by lower profit margins. Demand in Latin America was especially weak.

Apple was 1.7 per cent lower at \$243.21 ahead of the computer maker's earnings release scheduled for after the session's close. Cornell Companies, which owns prisons and educational facilities outsourced by the US federal government, rose 29.6 per cent to \$23.95 as rival Geo Group agreed to buy it for \$385m in cash and stock. Electronics retailer RadioShack lost 0.2 per cent to \$23.28 on speculation that the company was preparing to sell itself. Potential bidders include private equity groups and Best Buy, Radioshack's rival. Shares in BestBuy fell 2.6 per cent to \$44.21.

The continued closure of much of north European airspace hit the airline sector as the majority of flights to the region were cancelled.

Continental Airlines fell 3.5 per cent to \$22.18, Delta Air Lines lost 2 per cent to \$13.60 and UAL, the parent company of United Air Lines, declined 5.5 per cent to \$21.58. Southwest Airlines, the low-cost carrier, bucked the trend and climbed 0.9 per cent to \$13.50 on an upgrade at JPMorgan.

The bank raised the airline from "underweight" to "overweight".

Falling industrial commodities prices hit steel producers, with US Steel dropping 4.6 per cent lower to \$57.09. AK Steel fell 5.6 per cent to \$20.39 as the stock was downgraded from "buy" to "neutral" at Longbow Research.