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Shares Toss and Turn for Most of the Day

By Javier Hernandez
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A heap of uncertainty greeted Wall Street on Wednesday, setting the stage for an up-and-down day that left investors searching for a sense of direction.

Back-room wrangling over the European debt crisis, talk of a stimulus exit plan from the Federal Reserve and snowstorms in the New York City area collided to help send shares modestly lower, draining the energy of a boisterous rally the day before.

Expectations of blizzard conditions kept many traders home and led to a day of light trading, which usually heightens market movements.

Adding to the uncertainty, there was no clear resolution to the debt crisis in Europe, where deficits in Greece and other struggling countries threaten the stability of the Continent's monetary union. Diplomats tried to reassure investors that a plan was afoot, but that did not seem to rid the markets of anxiety.

Further complicating the picture, the chairman of the Fed, Ben S. Bernanke to wean the American economy off extraordinary stimulus efforts.

By day's end, the Dow Jones industrial average was down 20.26 points, or 0.2 percent, to 10,038.38, after rising 1.52 percent the day before — its largest gain in three months. The Standard & Poor's 500-stock index declined 2.39 points, or 0.22 percent, to 1,068.13, while the Nasdaq index fell 3 points, or 0.14 percent, to 2,147.87.

It was a day of volatility. Stocks fell in early trading, but by afternoon the major indexes were hopping in and out of positive territory. Banks and other financial firms were in the only sector to post gains; JPMorgan Chase increased 1.25 percent, and Wells Fargo rose 1.76 percent.

Much of the focus was on Europe, where conflicting headlines and stern denials dampened expectations that the Continent's wealthier nations would move swiftly to help Greece pay back its debt and avert a broader crisis.

But investors on both sides of the Atlantic said they were still confident that European leaders would eventually work out a rescue plan. The leaders of the 27 European Union countries are scheduled to meet on Thursday.

"Investors are wanting to get some sense of stability — some sense that the problems in Greece and Portugal and perhaps Spain are not going to spread and pull down the entire euro zone, and with it the global economy," said Bruce A. Bittles, chief investment strategist at Robert W. Baird & Company.

European markets eked out small gains. The FTSE 100 in London closed 0.39 percent higher, the CAC 40 in Paris climbed 0.63 percent, while the DAX in Frankfurt gained 0.69 percent.

The euro slid against the dollar, reaching \$1.3736, after making gains during Tuesday's rally.

In the United States, investors were shaken by signs that the government might begin to reduce emergency stimulus efforts.

In written testimony intended for a House hearing, Mr. Bernanke signaled that short-term interest rates would eventually rise and the Fed would need to rein in costly programs to buy assets like mortgage-backed securities and even vast sums of Treasury bonds and notes.

While Mr. Bernanke did not provide a firm timetable, and his comments offered little in terms of new information, his words still rattled investors, who have quaked at any talk of withdrawing the very efforts that have helped fuel the market's fast-paced rise in the last year.

"There is a moment of reckoning coming where we learn if the economy, without any artificial stimulation, is as strong as it seems to be," Randy Cass, founder of the investment research firm First Coverage, said. "The market is evenly divided between those who think the growth is real and sustainable, and those who believe that once the artificial enhancers are taken away, it will stumble."

Also weighing on the market was a report on the trade deficit in the United States, which widened more than expected as demand for imports surged.

The deficit was \$40.2 billion in December, up 10.4 percent from November. That was far greater than Wall Street's expectations of a \$35.8 billion gap.

In the bond market, the price of the 10-year note fell 12/32, to 97 14/32, while the yield rose to 3.69 percent, from 3.65 percent.