



US Stocks Trade Near Flat; Financials Rise While Materials Fall

By Donna Kardos
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NEW YORK (MarketWatch) -- U.S. stocks traded near the flatline Thursday as gains in financials - following an analyst upgrade - and among consumer-discretionary stocks on better-than-expected same-store sales offset commodities-related declines in metals and energy companies.

The Dow Jones Industrial Average was recently down 5 points, at 10570. It has been fluctuating between slight gains and losses after trading down as much as 68 points earlier in the session.

Bank of America was one of the Dow's best performers, up 3.1% after Credit Suisse upgraded its investment rating on the stock, calling the shares the "cheapest" among large-cap banks. The move helped lift sentiment for the financial sector, and was seen as a sign Wall Street's opinions on the big banks are improving. Boeing was also strong, up 3.5% after the company said it delivered 481 commercial aircraft during 2009, up 29% from a year earlier and matching the company's expectations.

Alcoa was the Dow's worst performer, off 2.9% as metals futures slipped. The measure's other decliners included Intel, which fell 1.4%, and Johnson & Johnson, which dropped 1%.

The technology-heavy Nasdaq Composite was down 0.4%. The Standard & Poor's 500 index edged down less than a point, with its financial and consumer-discretionary sectors leading to the upside, offsetting declines across materials, utilities and technology stocks.

In other markets, the dollar strengthened while crude-oil and metal futures were slipping. Treasuries were mixed, with the two-year note off 1/32 to yield 1.008% but the 10-year note up 7/32 to yield 3.802%.

The action comes ahead of the government's release of its monthly nonfarm payrolls numbers Friday morning. While monthly private-sector figures reported Wednesday came in better than expected, and weekly jobless claims posted Thursday morning also beat expectations, many investors are waiting for the government's report on Friday before making any major bets.

"We have seen a lot of hesitation, nervous and cautiousness among the

institutional players at the start of 2010," said Randy Cass, vice chairman at First Coverage, which analyzes the conversations going on between brokers and portfolio managers. "What we're seeing going on in the sell side right now... is a real wait-and-see approach."

Thursday, the Chinese central bank moved to raise a key interbank market interest rate for the first time in nearly five months, signaling a change in its policy focus toward preempting inflation risks in the new year.

Although the U.S. Federal Reserve has repeatedly enforced that its easy-money stance will remain for at least the next several months, the tightening move in China, which came in the form of a higher yield in its weekly bill sale, served as a reminder that rate increases in the U.S. are likely to come later this year. In addition, investors grew concerned about how global growth could be impacted.

Nevertheless, John Brady, senior vice president at MF Global, cautioned investors against interpreting too much from China's move.

"There's been a lot of chatter from China about tightening credit and making loans more expensive, but until we see the fallout from that in terms of growth in China, things are OK," Brady said.

Among stocks in focus, TJX jumped 5.9% as it joined a number of other retailers in posting better-than-expected same-store sales for December and boosting its earnings forecast. TJX, which buys items below wholesale price and sells them at steep discounts at its T.J. Maxx and Marshalls stores, posted a 14% same-store sales jump.

Home builder Lennar surged 13% after reporting it swung to the positive in its fiscal fourth quarter. The quarterly profit broke a two-year string of losses.