

Airlines and autos take off as energy groups lose power

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Energy stocks dragged Wall Street into the red yesterday as tumbling oil prices greeted investors returning from their Labor Day holiday. Crude oil fell as much as \$8 a barrel before paring early losses.

ExxonMobil dropped 3.4 per cent to \$77.32 while ConocoPhillips dipped 4.3 per cent to \$79. and refiner Tesoro slid 6.9 per cent to \$17.28. Coal companies were particularly hard hit. Massey Energy dropped 10 per cent to \$59.35, Arch Coal slid 14.8 per cent to \$46.19 and Consol Energy lost 8.55 per cent to \$61.92. So far this quarter, energy has been the worst performing sector, down 18.7 per cent. The materials sector, down 9.2 per cent over the period, shed another 2.5 per cent yesterday.

Freeport-McMoRan Copper & Gold dipped 7 per cent to \$83.05, Monsanto fell 4.3 per cent to \$109.34 and US Steel lost 10.3 per cent to \$119.39.

Airline, automaker and consumer discretionary stocks helped the S&P 500 briefly break through the psychologically important 1,300 mark.

However, the broader market gave up early gains. By the close however, the broader index was down 0.4 per cent at 1,277.55.

Richard Parker, managing director of institutional equity trading at Stanford Financial said the morning rally "didn't have an awful lot of legs to it".

Analysts at JPMorgan's Private Bank said: "Investors return from their summer holidays facing the same uncertainties as when they left... [Still] the current investor caution makes us think that equity prices may already be discounting many of the risks we've been concerned about."

Financials lost steam as the day progressed, although most banks held on to some modest gains. Bank of America climbed 3.4 per cent to \$32.20 after Goldman Sachs recommended buying the shares on the basis of "long-term earnings power" and near-term capital options which could help it avoid issuing common equity.

Lehman Brothers, the embattled investment bank, briefly advanced after reports that Korea Development Bank was in talks to buy a stake in the securities firm. At the close, Lehman shares were up 0.3 per cent to \$16.13.

Citigroup added 0.6 per cent to \$19.11 while JPMorgan rose 1.3 per cent to \$38.99 and the S&P 500 financials sector rose 1.8 per cent.

Regions Financial also made progress, jumping 19.2 per cent to \$11.05. The Alabama-based bank said it had assumed about \$900m in total deposits from Integrity Bank, a failed bank.

Meanwhile, the weaker-than-expected impact of Hurricane Gustav gave other energy-sensitive stocks a boost. Airline companies UAL, Delta and AMR soared 11.7 per cent to \$12.41, 12.8 per cent to \$9.17 and 11.3 per cent to \$11.50.

Automakers General Motors and Ford added 6.5 per cent to \$10.65 and 1.12 per cent to \$4.51.

The broader consumer discretionary sector also made strong gains, led by consumer services and retail stocks as investors bet that falling oil prices would boost spending power.

Carnival, the cruise operator, rose 5.6 per cent to \$39.13, while Lowes added 6.9 per cent to \$26.33. The sector as a whole rose 1.8 per cent.

That, early positive momentum helped markets to glide past some weak macroeconomic data released in the mid-morning, showing a stagnant manufacturing sector and a further decline in construction spending.

Since its low point on July 15, the benchmark S&P 500 index has bounced about 5.2 per cent, partly because of a 24.3 per cent drop in the price of oil. The Dow Jones Industrial Average rose as much as 2.1 per cent in early trading before giving up most of those gains to close at 11,516.92, up only 0.2 per cent. The Nasdaq Composite slipped 0.8 per cent to 2,349.24.

In technology, Xerox climbed 3.1 per cent to \$14.36 after Citi initiated coverage with a "buy" recommendation and a \$20 price target.

The office equipment maker had "perhaps the most compelling enterprise services portfolio of any company in the market", Citi said.

News that Google released its own internet browser initially helped the stock advance. But the moves were not enough to keep the sector in the black and it swung to losses of 1.4 per cent. Google shares slipped 0.4 per cent to \$465.25.

Fonte: Financial Times, London, September 3 2008. Companies & Markets, p. 24.

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