Investors are unnerved by slides in tech companies and financial firms

A weaker earnings outlook for technology and financial companies dragged down stock indexes on Wednesday, overshadowing speculation that the Federal Reserve would take steps to bolster the economy.

Adobe Systems tumbled 19 percent after estimating sales below analysts' projections. The chip maker PMC-Sierra dropped 6 percent as the company reduced its third-quarter revenue forecast. And Microsoft sank 2 percent after announcing a dividend increase that was smaller than some analysts had expected.

Deutsche Bank cut its earnings estimates for the banks, sending shares of financial stocks down. Morgan Stanley dropped 4.26 percent, to $24.95, and Goldman Sachs slumped 2.2 percent, to $148.07.

"We're navigating the slow-growth economy and trying to avoid pitfalls," said Jack Ablin, chief investment officer of Harris Private Bank, based in Chicago. "The Fed will do whatever it can to avoid a double-dip recession, but it can't keep on buying debt forever. This is a 'reflation' story of weaker dollar, higher commodities prices and lower interest rates. This is not an environment that suggests a huge rally for stocks."

The Dow Jones industrial average ended the day down 21.72 points, or 0.2 percent, to 10,739.31. The Standard & Poor's 500-stock index slid 5.5 points, or 0.48 percent, to 1,134.28. The Nasdaq composite index fell 14.8 points, or 0.63 percent, to 2,334.55.

The S.& P. 500 has surged 11 percent from this year's low on July 2 as concern eased that unemployment and less spending from indebted European nations would stall the global economic recovery. It has gained 1.7 percent so far this year, but is still 6.8 percent below its peak for 2010.

Stocks reversed earlier gains after the Federal Housing Finance Agency said home prices dropped 3.3 percent in July from a year earlier, the eighth consecutive decline. Prices fell 0.5 percent from June, more than the projected drop of 0.2 percent based on the median economist estimate in a Bloomberg survey.

Treasuries rose for a fourth day. The price of the 10-year note rose 4/32, to 100 18/32. The yield fell to 2.56 percent, from 2.57 percent late Tuesday.

"Equity markets are trying to strike the right balance between the willingness of the Fed to do more and its ability to deliver good outcomes," Mohamed A. El-Erian, chief executive at the Pacific Investment Management Company, which runs the world's biggest bond fund, wrote in an e-mail. "The Fed took a step toward acknowledging a more challenging economic outlook, but stopped short of a full recognition and implementing additional policy actions."

The dollar fell against major currencies. Gold hit another high.

Adobe's tumble, to $26.67, followed a discouraging announcement on Tuesday after the markets closed. The company said that its fourth-quarter revenue would be $950 million to $1 billion, citing slower demand from back-to-school shoppers and Japanese buyers. Analysts surveyed by Bloomberg had projected sales of $1.03 billion.

PMC-Sierra, the chip maker, ended the day at $7.32 after reducing its third-quarter sales forecast, saying it expected $163 million at most. That trails the average analyst estimate of $173.5 million in a Bloomberg survey.

Microsoft fell the most in the Dow, losing 2.2 percent, to close at $24.61. It raised its quarterly dividend by 23 percent, to 16 cents a share. The increase was disappointing, said Gregg Moskowitz, an analyst at Cowen & Company, who said the 2.5 percent yield fell short of his expectations of up to 4 percent.

Airline stocks fell, led by AMR, the parent company of American Airlines. AMR said its mainline unit revenue would increase 11 percent at most in the third quarter. That trailed an estimate for a gain of 12 percent by Deutsche Bank. JPMorgan Chase and Stifel Nicolaus both widened their 2010 loss estimates for the airline. AMR sank 8.7 percent, to $6.28.

Bank of America's chief United States equity strategist, David Bianco, cut his forecast for the S.& P. 500's year-end level to 1,250, from 1,300, citing concern that American taxes will rise and hold the economic recovery back.

"We believe that Congress will be gridlocked through year-end until the new Congress is seated in January," Mr. Bianco wrote in a note. "The fear of tax hikes in 2011 is likely to constrain growth. This setback to confidence is likely to prevent the S.& P. 500 from reaching our previous target."

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