



## The party's over on Wall Street

### Major gauges slip after four day record-setting run, amid subprime fears, earnings weakness and Bernanke remarks.

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NEW YORK (CNNMoney.com) -- Wall Street's recent winning streak came to an end Wednesday as subprime worries, disappointing corporate earnings and comments from Federal Reserve chief Ben Bernanke sent major gauges lower.

The Dow Jones industrial average (Charts) tumbled by as much as 145 points before finishing 53 points, or about 0.4 percent lower, based on early tallies. A day earlier the Dow briefly crossed the 14,000 mark, finishing in record territory for the fourth straight session.

The broader S&P 500 (down 2.55 to 1,546.82, Charts) eased 0.2 percent, while the tech-laden Nasdaq (down 13.14 to 2,699.15, Charts) fell nearly 0.5 percent.

U.S. light crude for August delivery jumped \$1.02 to \$75.02 a barrel on the New York Mercantile Exchange.

Treasury prices climbed, lowering the yield on the benchmark 10-year note to 5.03 percent from 5.07 percent late Tuesday. Bond prices and yields move in opposite directions.

The dollar fell against the euro and the yen. COMEX gold for August gained \$7.80 to \$673.70.

Here's what was moving before the close:

"All of the things that were propelling us higher kind of evaporated," said Alan Lancz, money manager and editor of *Lancz Letter*.

Investors were initially troubled by disappointing tech earnings from Yahoo and Intel and continuing problems in the subprime mortgage sector.

But stocks fell even further following somewhat hawkish comments from Federal Reserve Chairman Ben Bernanke.

Speaking to a Congressional committee, the Fed chief said that he sees moderate economic growth to pick up gradually this year, but said that the central bank is still wary about inflation.

"His talk today did not really lower inflation expectations for 2008 and that kind of unnerved investors a little bit," said Lantz.

Renewed concerns about the extent of the fallout from problems in the subprime mortgage sector also pressured investor sentiment. Two Bear Stearns (down \$0.63 to \$139.28, Charts, Fortune 500) hedge funds heavily invested in securities backed by subprime mortgages are nearly worthless, according to a report in the *Wall Street Journal*.

Tech leaders Yahoo and Intel delivered some disappointing corporate results late Tuesday, as Yahoo lowered its 2007 sales outlook after posting in-line quarterly results late Tuesday.

Intel's gross margin - a key measure of profitability - disappointed investors, despite reporting earnings that met Wall Street estimates.

Both Yahoo (down \$1.39 to \$26.14, Charts, Fortune 500) and Intel (down \$1.27 to \$25.06, Charts, Fortune 500) shares declined nearly 5 percent on the Nasdaq.

On the economic front, prices paid by consumers rose slightly more than expected in June, but so-called core CPI, which strips out food and energy prices, fell in line with Wall Street expectations.

Housing starts climbed in June, but applications for new projects, a key measure of builder confidence, fell more than expected, the Census Bureau reported Wednesday.

In other earnings news, JPMorgan Chase reported a better-than-expected increase in quarterly results before the bell Wednesday, driven by strong investment banking results. JP Morgan (down \$1.26 to \$48.66, Charts, Fortune 500) shares declined over 2 percent on the New York Stock Exchange.

Drugmaker Pfizer (down \$0.87 to \$25.09, Charts, Fortune 500), meanwhile, posted a decline in quarterly profit, hurt by generic competition, sending its shares over 3 percent.

Fellow Dow component Altria (down \$0.99 to \$70.29, Charts, Fortune 500) posted lower profits that topped expectations, but cut its full-year earnings forecast, sending its shares over 1 percent lower.

Macy's (up \$3.17 to \$43.20, Charts) shares soared nearly 8 percent following a report by *Women's Wear Daily* that private equity firm KKR is reportedly mulling a \$24 billion bid for the retailer in conjunction with Goldman Sachs.

Market breadth was negative. Losers beat winners 2 to 1 on the New York Stock Exchange on volume of 1.69 billion shares. Decliners topped advancers by nearly 2 to 1 on the Nasdaq on volume of 2.19 billion shares.