Indexes slip on rate worries after jobs data

By Kristina Cooke

July 6, 2007 - U.S. stocks fell on Friday on concern about higher borrowing costs as bond yields rose after stronger-than-expected jobs data reinforced the view that the Federal Reserve would not cut interest rates this year.

The rate worries overshadowed news of corporate takeover activity -- a proposed $4.2 billion purchase of eye-care company Bausch & Lomb Inc. by Advanced Medical Optics Inc.

U.S. employers added a higher-than-expected 132,000 new non-farm jobs in June, while hiring figures for April and May were also revised significantly upward, according to a Labor Department report that underlined a strengthening job market.

"When the revised number came out, then people worried that the Goldilocks economy may be threatened here. It may get overheated and we may have to increase interest rates." said Alan Lancz, president of Alan B. Lancz & Associates Inc., in Toledo, Ohio.

The Dow Jones industrial average was down 14.31 points, or 0.11 percent, at 13,551.53. The Standard & Poor's 500 Index was down 2.41 points, or 0.16 percent, at 1,522.99. The Nasdaq Composite Index was down 3.16 points, or 0.12 percent, at 2,653.49.

Benchmark 10-year Treasury notes fell 11/32 in price for a yield of 5.19 percent -- the highest in two weeks -- from 5.14 percent late on Thursday.

A jump in oil's price sparked concern about inflation but helped energy company stocks. U.S. crude gained 97 cents to $72.79 a barrel. Exxon Mobil shares rose 0.6 percent to $85.69.

The Labor Department said about 75,000 jobs were created in April and May than previously thought.

Bausch & Lomb shares rose 4 percent to $71.51 after Advanced Medical's offer to buy the larger company. Advanced Medical Optics' shares fell 3.9 percent to $34.44.

Shares of Genzyme Corp. dropped 4.4 percent to $62, weighing on the S&P and the Nasdaq, after the company said its experimental drug for diarrhea linked to a severe bacteria failed to meet the main goal of a late-stage study.