



## Shaky market looks warily to next week Jobs report, Beige Book to lead economic debate

By Carla Mozee

**SAN FRANCISCO (March 3, 2007) - The shaky U.S. stock market is set for more losses in coming days in the aftermath of the past week's global financial sell-off as investors look to two major economic reports for clues about the direction of the nation's economy and the health of the four-year bull market, strategists said.**

The February report on U.S. job growth Friday and Wednesday's release of the Federal Reserve's Beige Book on economic activity will highlight the market's agenda next week in the wake of its worst weekly performance in the last three years.

"The market is going to continue to be nervous," said Jay Suskind, director of trading at Ryan, Beck & Co. "People over the weekend will be concerned that the market dropped 500 points one day this week," and the rawness of those declines will keep the market on edge.

Tuesday's bruising tumble on Wall Street and the declines in the following sessions hit the brakes on a record rally that saw eight straight months of stock gains. The advances for February by the Dow Jones Industrial Average, the Nasdaq Composite and the S&P 500 Index were wiped out in the last two days of the month, leaving strategists divided over whether the losses are a blip on the market's radar or the start of a larger correction.

It was the Shanghai Composite Index's nearly 9% fall Tuesday on worries that Chinese officials will begin to clamp down on speculation in the markets that kicked off the series of sharp falls in stocks in Asia, Europe and the Americas.

But what continued to fuel the declines on Wall Street was the barrage of conflicting reports about the health of the U.S. economy, said Suskind. The "lousy and recessionary" durable goods report on Tuesday, for example, contradicted the "robust" figures on manufacturing activity that came on Thursday, he said.

"The market does not like uncertainty," he said. "We need to get a string of macroeconomic reports that are consistent--one way or the other - and then the market will adjust to them."

### **Economic data in spotlight**

There will be no shortage of data for investors to examine next week, with the long list of reports leading up to the closely watched employment figures on Friday from the Labor Department. Economists are expecting 100,000 jobs to have been added to non-farm payrolls in February, down from 111,000 in January, according to a MarketWatch poll.

If the payrolls projection is met, "at best, it means that [the] unemployment [rate] may shift up to 4.5%," said Edgar Peters, chief investment officer at Pan Agora. "We're still a long way from where we need to be in order for the Fed to be comfortable."

Economists expect the unemployment rate to remain at 4.6%.

The central bank will release its so-called Beige Book on Wednesday. The survey consists of anecdotal feedback from businesses about economic conditions in their respective regions.

Figures on factory orders for January, activity in the services sector in February, and revisions to productivity and unit labor costs for the fourth quarter are also due next week.

Investors may enter Monday's trading session with fresh comments from Federal Reserve Chairman Ben Bernanke on their minds. He is scheduled to speak Friday night about globalization and monetary policy in Stanford, Calif.

Attention will also be paid to Federal Reserve Governor Kevin Warsh who will speak on the issue of liquidity, a heavy driver of the market in the last several sessions.

### **Cautious optimism, earnings**

Though stocks were mired in red this past week, some strategists expressed cautious optimism that the market can regain some of its losses.

"If we see some encouraging news on the economy, I think buyers will come back into the market next week," said Brent McQuiston, vice president at Wealth Trust Arizona.

He expects the reports to largely reflect what he considers to be core fundamentals of the market: a stable economy and growth in corporate profits, albeit at a slower pace.

The economic slowdown was reflected in Wednesday's downward revision of fourth-quarter gross domestic product to 2.2% from 3.5% reported in January.

Expectations for first-quarter earnings growth have also dropped, and now stand at 3.9% according to Thomson Financial.

Earnings growth of 8.9% was expected at the start of the quarter. However, fourth-quarter earnings growth is currently 11.9%, continuing the string of double-digit corporate earnings growth to a record 14 consecutive quarters.

Costco Wholesale on Tuesday and Big Lots on Friday will add information about conditions in the retailing sector with their quarterly financial results.

### **Dow records triple-digit decline; gold futures dull**

The exit out of equities continued Friday, pulling the Dow down 120 points, or nearly 1%, to 12,114.10. The S&P 500 fell 16 points to 1,387.17 and the Nasdaq Composite lost 36 points to 2,368.

For the week, the blue-chip average finished down 4.3%, its largest weekly percentage drop since March 2003. The Nasdaq suffered a 5.8% fall, its worst performance since August 2004 and the broad index lost 4.4%, its worst performance since January 2003.

The dollar fell 0.8% against the Japanese yen, whose sharp rise against its rivals on Friday spooked the stock market.

Gold futures slumped \$21 to close at \$644.10 an ounce on the New York Mercantile Exchange to log a weekly loss of more \$42 an ounce.

Crude-oil futures closed down 36 cents at \$61.64 a barrel, their first loss in eight sessions.

Treasury yields were pushed lower during the week as investors moved money out of stocks and into lower-risk investment vehicles. Prices and yields move in opposite direction.

The yield on the 30-year Treasury bond closed on Friday at 4.653%, down from 4.681% on Thursday. The benchmark 10-year Treasury note closed at 4.516% from 4.557% on Thursday.