

# Stocks set to extend losses following trade report



By SARA LEPRO, AP Business Writer

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NEW YORK – Wall Street appeared ready to extend its losses Tuesday after a report that the trade deficit fell to its lowest level in five years did little to alleviate the market's anxiety about weak corporate profits.

The Commerce Department said Tuesday that the trade deficit narrowed to \$40.4 billion in November, a 28.7 percent decline from October's deficit of \$56.7 billion, as demand for oil dropped by a record amount.

Though demand for imports has dropped, investors are more concerned by the waning appeal of American products overseas, as economies around the world suffer. The fear is that as companies struggle with falling global demand, it will be more difficult for the economy to rebound.

Underscoring the pain American manufacturers are feeling, aluminum giant Alcoa Inc. reported late Monday that it lost \$1.19 billion during the fourth quarter as demand for aluminum plunged. Other companies also are warning that their results are being hit hard by the recession.

"Alcoa is a harbinger of things to come," said Jeff Buetow, senior portfolio manager at Portfolio Management Consultants. "It was a horrible report."

Investors remain on edge as more companies prepare to report earnings over the next few weeks. Investors are watching closely for companies' expectations for business conditions in 2009. Computer chip maker Intel Corp. and drug company Genentech Inc. are among the companies reporting results this week.

The market also will get an earlier-than-expected reading on the financial sector this week when JPMorgan Chase & Co. reports earnings on Thursday — nearly a week ahead of schedule. Investors are fearful of another year of multibillion dollar losses among financial companies, as analysts forecast mounting problems in credit card and commercial real estate portfolios.

Meanwhile, Citigroup Inc. and Morgan Stanley are expected to announce a deal as soon as Wednesday to combine their brokerage operations as Citi struggles to raise additional cash.

Ahead of the market's open, Dow Jones industrial average futures fell 26, or 0.31 percent, to 8,418. Standard & Poor's 500 index futures fell 3.30, or 0.38 percent, to 864.80, while Nasdaq 100 index futures fell 3.25, or 0.27 percent, to 1,202.75.

Stocks fell for a fourth straight session on Monday on fear that corporate profit reports will signal a recovery in the economy is further off than originally anticipated. The Dow shed 125 points, and broader stock indexes fell more than 2 percent. The market's decline Monday followed its worst week since

November. However, stocks are still up sharply from their late November lows.

On Tuesday, Federal Reserve Chairman Ben Bernanke said the stimulus package being crafted by President-elect Barack Obama and Congress could provide a "significant boost" to the sinking economy. During a speech in London, he also said "more capital injections and guarantees may become necessary" to stabilize financial markets and spur more lending. Obama is pushing for an economic stimulus that includes big tax cuts and has an estimated price tag of about \$800 billion.

Also Tuesday, the House Financial Services Committee will hold a hearing to discuss the priorities for how the remaining \$350 billion of the financial bailout fund is spent. Obama on Monday asked President George W. Bush to request the money so that it can be at the ready when Obama takes office next week. Bush agreed to notify Congress.

Obama said Monday he will fundamentally change the way the remaining funds are allocated. He said some relief would be directed toward housing and small business.

Bond prices fell early Tuesday. The yield on the benchmark 10-year Treasury note, which moves opposite its price, rose to 2.32 percent from 2.31 percent late Monday. The yield on the three-month T-bill, considered one of the safest investments, rose to 0.08 percent from 0.06 percent late Monday.

The dollar rose against most other major currencies, while gold prices fell.

Light, sweet crude rose 36 cents to \$37.95 in electronic premarket trading on the New York Mercantile Exchange.

Asian markets retreated sharply, hurt by reports that Sony Corp. is sinking into its first yearly operating loss in 14 years on declining sales for digital cameras, flat-panel TVs and other gadgets. Japan's Nikkei stock average fell 4.79 percent. Hong Kong's Hang Seng index dropped 2.17 percent.

In midday trading, Britain's FTSE 100 was down 1.65 percent, Germany's DAX index was down 1.86 percent, and France's CAC-40 was down 1.80 percent.

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