BUSINESS

Dow ends worst week of year

Stocks hammered by poor retail performance

By Ken Sweet
Associated Press

NEW YORK — Stocks fell Friday, closing out what was the worst week of the year for the Dow Jones Industrial Average.

The market was dragged lower by a weak performance from retailers and companies sensitive to higher interest rates. Homebuilders and banking stocks were among the best performers.

Stocks had a decent start in the first half of the week, but investors were hit hard in the last three days. Overall, the Dow retreated 2.2 percent for the week, its worst for 2013. The broader Standard & Poor's 500 index lost 2.1 percent for the week, its second-worst performance of the year.

The possibility of a cutback in the Federal Reserve's massive bond-buying program in September has roiled the bond market in the past couple of weeks, which in turn spilled over into the stock market. The yield on the benchmark U.S. 10-year Treasury note rose to 2.83 percent, its highest level since July 2011. A week ago, the yield was 2.58 percent. In the bond market, yields rise as bond prices fall.

"When yields are going up like this, that's scary for most equity investors," said Brian Reynolds, chief market strategist at Rosenblatt Securities.

On Friday, the S&P 500 lost 5.49 points, or 0.33 percent, to 1,655.83. The Dow fell 30.72 points, or 0.2 percent, to 15,081.47 and the Nasdaq composite lost 3.34 points, or 0.1 percent, to 3,602.78.

Shares of utilities and telecommunications companies, which typically perform poorly in a higher interest-rate environment, closed broadly lower. New York-based utility Consolidated Edison Inc. fell 75 cents, or 1.3 percent, to $56.64 while California's PG&E was down 71 cents, or 1.6 percent, to $42.64. Dow components Verizon Communications Inc. and AT&T Inc. fell 1.7 percent and 0.5 percent, respectively.

Retailers continued their multi-day selloff. Nordstrom Inc. gave a bleak sales outlook late Thursday that echoed similar forecasts from Wal-Mart Stores Inc. and Macy's Inc. earlier this week. The outlooks have raised worries that U.S. shoppers might be pulling back on spending.

Nordstrom's stock fell $2.90, or 4.9 percent, to $56.43, making it the biggest decliner in the S&P 500.

The retail industry is a closely-watched part of the economy as consumer spending makes up roughly 70 percent of economic activity. The disappointing outlooks are worrisome because they take into account the back-to-school shopping season, typically the second-biggest shopping period for U.S. retailers.