Investors cash in gains from big rally

MADLEN READ
Associated Press

NEW YORK — Caution reasserted itself on Wall Street Friday, sending stocks sharply lower but not enough to prevent the market from notching its third straight weekly advance.

Major market indexes fell about 2 percent, but most analysts agreed the pullback was a natural response to the market's powerful climb this month. Financial and technology stocks led the retreat, and energy shares fell along with the price of oil.

A dip in personal incomes and a slowdown in personal spending gave investors reason to cash in some of their winnings after the Dow Jones industrial average surged 21 percent over just 13 days. Analysts said the sentiment in the market was still more upbeat than it was a month ago, but the economic numbers were a reminder that the economy and the banking system remain troubled.

"There is still a definite caution in the air," said Doreen Mogavero, president of Mogavero, Lee & Co., a New York floor brokerage, adding that she's noted some hesitance among her clients. "I don't think people are completely invested yet."

Mogavero noted that the money that has gone into the market over the last few weeks has been "short-term" in nature, which leads her to believe that most people are not convinced that the economy will soon recover.

The market has been ratcheting up and down over the past week. Analysts weren't surprised by its retrenchments, including Friday's, because no one expects such a weak market to move consistently higher. And many analysts believe back-and-forth trading is actually a healthy way for stocks to recover, because it reflects a conservative rather than euphoric attitude among investors.

Still, it was too early to tell whether the big March advance might go the way of Wall Street's year-end rally, which was more than wiped out in January and February. Although the gains of the past three weeks have been based on early signs of improvement in the banking system and the economy, those advances are vulnerable to critical economic data due next week and first-quarter earnings reports that will begin in a few weeks.

According to preliminary calculations, the Dow fell 148.38, or 1.9 percent, to 7,776.18. The index is up 17.3 percent in the last three weeks, its best gain since September 1982 and its longest string of advances since May last year.

The Dow is still up 10 percent for the month. The last time the blue chips gained at least 10 percent in a month was in October 2002.

The Standard & Poor's 500 index fell 16.92, or 2 percent, to 815.94. Despite the decline on Friday, the index's overall gain of 20.6 percent over the past 14 trading days is its best run over that length of time since 1938.

The Nasdaq composite index dropped 41.80, or 2.6 percent, to 1,545.20.

The economic reports due next week include the March employment report on Friday. Although the report is likely to show more job losses, analysts believe the market can keep rising if there are other data showing the economy is improving or at the very least stabilizing.

"While the employment report is key," said Stuart Schweitzer, global markets strategist at JPMorgan Private Bank, "company earnings announcements will shed light on where we go from here because they will tell us how much more restraint companies may need to show in the future."



