Stocks slide on tech earnings, European debt

BY DANIEL WAGNER AND DAVID K. RANDALL
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If weak financial results from big tech companies are a sign of what's to come, stock indexes are in for a tough summer.

Stocks fell Friday after poor earnings reports from technology companies. Those results suggested that companies invested less in new technology as the economic recovery slowed.

Fears of a spreading European debt crisis also weighed on the markets. Italian bank shares plunged and trading of some companies was halted after Moody's warned that it might downgrade the credit ratings of some Italian banks.

"I think it spooked a lot of people," said Frederick Rizzo, who analyzes European banks for T. Rowe Price, adding that the move by Moody's was expected. "The markets are really emotional right now."

The Dow Jones industrial average fell 94 points, or 0.8 percent, to 11,955 in afternoon trading. The Standard & Poor's 500 index fell 13, or 1 percent, to 1,270. The Nasdaq composite fell 30, or 1.1 percent, to 2,656.

The decline erased all of this week's gains for the Dow Jones industrial average and S&P index. The broad stock market is on track for its seventh weekly loss in the last eight weeks.

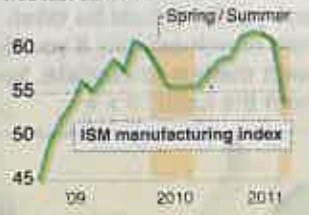
Technology stocks were broadly lower. Micron Technology Inc. fell nearly 14 percent after the company said lower sales of computer chips hurt its earnings, which were far less than analysts had expected. Oracle Corp. fell 4 percent after its sales of computer hardware fell sharply. Cisco Systems Inc. fell 3 percent, and Microsoft Corp. lost more than 1.5 percent.

Government bond prices rose to their highest level of the year as investors placed a higher-value on relatively safe assets. The yield on the 10-year Treasury dipped to 2.86 percent.

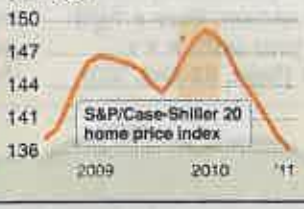
The U.S. economy has cooled since late April, pulling the stock market down in six of the past seven weeks. Recent reports on housing, employment, manufacturing and retail sales all have been weak. The debt crisis in Greece and fears that China's growth is slowing have also pushed markets lower.

"No one is expecting good news, but if it's worse than expectations, this is really a very shaky market," said Uri Landesman, president of Platinum Partners, a hedge fund.

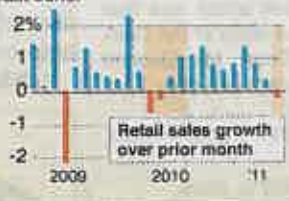
MANUFACTURING
Growth is even slower than it was last summer.



HOME PRICES
Home values have double dipped and are below where they were a year ago.



RETAIL SALES
Sales at retailers fell in May. That was the first monthly drop since last June.



Feel familiar?

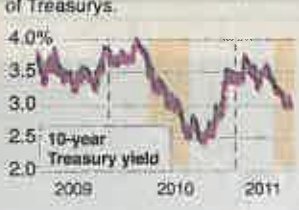
The economy is weakening. Investors worry about a European debt default. Wait – are we talking about the summer of 2010 or 2011?

A look at the charts shows that many economic indicators are repeating last summer's swoon. Stocks fell then on worries that the economy could go into a "double-dip" recession. They're falling again now, and financial analysts expect the market to stay shaky. Summer is traditionally a tough season for stocks — June has been the third-worst month for the S&P 500 since 1945. The last two Junes have been particularly rocky. And investors are wondering how stocks will react after the Federal Reserve ends its bond-buying program next week. But many economists expect the economy to recover later this year because of lower gasoline prices and a manufacturing rebound following Japan's earthquake.

JOB GROWTH
The job market had been improving since last summer — until last month.



TREASURY YIELDS
Yields are falling again as investors worry about the economy and buy the perceived safety of Treasurys.



INFLATION
Here, the story is different from 2010. Deflation, a sustained drop in prices, is no longer a worry.



SOURCE: FactSet

Stan Choe, Elizabeth Gramling • AP