Stocks slip as investors stay on edge

By Matthew Craft
Associated Press

NEW YORK — Videogame shops, restaurants and retailers led the stock market lower Wednesday.

Without any good news to drive the market up, investors grappled with the question hanging over financial markets: When will the Federal Reserve and other central banks pull back their economic stimulus programs?

Markets have turned turbulent in recent weeks as traders start preparing for a time when the Fed and central banks in Europe and Japan aren't pumping as much money into the financial system.

"There's nothing concrete out there to turn us around today," said Russell Croft, co-portfolio manager at the Croft Value Fund in Baltimore. "So naturally enough, people are back to thinking about the Fed."

The Dow Jones industrial average fell 126.79 points, or 0.8 percent, to close at 14,995.23. The Dow had its first three-day stretch of losses this year and is down 1.7 percent for the week.

A rout in global markets helped pull the Dow down 116 points Tuesday. The selling started after the Bank of Japan decided not to make any new attempt to spur growth in the world's third-largest economy.

In other trading Wednesday, the Standard & Poor's 500 index fell 13.61 points, or 0.8 percent, to 1,612.52. All 10 industry groups in the index dropped, led by consumer-discretionary and utility companies.

Two of the top-performing stocks in the S&P 500 this year, Netflix and BestBuy, led consumer-discretionary companies down. Netflix lost $6.82, or 3 percent, to $207.64. Consumer electronics retailer BestBuy dropped $1.01, or 4 percent, to $26.88. GameStop fell $1.13, or 3 percent, to $36.69.

The Nasdaq composite sank 36.52 points, or 1 percent, to 3,400.43.

Many on Wall Street think the Fed could signal that it's ready to start cutting back on its $85 billion in bond purchases at the end of its two-day meeting next Wednesday. That's a key reason bond traders have been selling Treasuries, sending the 10-year yield from a low of 1.63 percent last month to as high as 2.29 percent this week.

In the market for U.S. government bonds, the yield on the 10-year Treasury note edged up to 2.23 percent from 2.18 percent late Tuesday.

Long-term borrowing rates are still near historic lows, but their jump over the past month has grabbed investors' attention, said Mark Travis, president and CEO of Intrepid Capital Management. "I think people are starting to pause," he said. "If rates continue to drift up, it's probably going to be a headwind for the market."

There were a few bright spots. Cooper Tire & Rubber jumped 41 percent after Apollo Tyres, an Indian company, announced plans to buy the tiremaker for $2.5 billion. The combined company would be one of the world's largest tiremakers, Apollo said.