

Floor trader Thomas Kay, foreground, worked Wednesday at the New York Stock Exchange on a day of falling prices, influenced by bad Spanish bank loans. AP

The rain in Spain falls mainly on US stocks

By Christina Rexrode
The Associated Press

NEW YORK — It hardly needed it, but the U.S. stock market on Wednesday got another reminder of how its fortunes are inexorably tied to the European economy.

All three major U.S. stock indexes sank after a dismal report about bad loans on the books of Spanish banks. The day before, U.S. stocks had soared after Spain held a successful auction of 2-year bonds.

The results underscored how the stock market can whipsaw on even incremental news out of Europe, and it has done just that for the past couple of weeks. In the 12 trading days of the second quarter so far, the Dow has fallen by triple digits four times, with Europe as a notable factor. Twice, it has risen by that same proportion.

It's not just the news itself, which can vary from hopeful to horrific and back again in just a couple of days. It's that investors have been inconsistent in how they react, sometimes shrugging off what seems like significant developments and at other times seizing on what seems piecemeal.

It's a time when "one headline can get you to change your mind," said Gary Flam, portfolio manager at Bel Air Investment Advisors in Los Angeles. "When you go from one day being concerned about Spain to the next day, 'Oh, they had a good auction,' that's a lack of conviction," meaning investors aren't sure what to think.

The Dow Jones industrial average fell 82.79 points to 13,032.75. That was a U-turn from Tuesday's gain of 194 points.

The euro fell and Treasury prices rose as nervous investors looked for safe places to store their money. The yield on the 10-year Treasury note fell back below 2 percent and was 1.98 percent in afternoon trading.

A flood of first-quarter earnings also influenced the market in temperamental ways.

Of the S&P 500 companies to report earnings so far, 78 percent have recorded per-share earnings that beat analysts' estimates, according to FactSet senior earnings analyst John Butters. But that hasn't always been enough to lift their share prices.