The Wall Street Journal

JANUARY 15, 2010, 3:36 P.M. ET US Stocks Lower, As The Financial Sectors Drops

By Peter A. McKay

Stocks were on a clear path to the worst one-day decline of 2010 so far, led by the financial sector, which suffered after J.P. Morgan Chase's announcement of weaker-than-expected revenue and a glum outlook.

The Dow Jones Industrial Average, which hasn't suffered a daily decline of more than 37 points in January, was recently off 116 points, or 1.1%, at 10594.39. If the current losses hold through the close, they would represent the deepest one-day decline in the Dow since a slide in the last trading session of 2009.

The average racked up most of its losses in the first hour of trading and hasn't mounted a significant comeback since, hurt by selling across every sector. Twenty-six of the Dow's 30 components were lower, with financial companies suffering the worst losses.

Bank of America was off 3.2% and J.P. Morgan fell 1.9% after its premarket announcement. The bank's fourth-quarter earnings quadrupled, exceeding forecasts, but its revenue came in below analysts' estimates.

Chief Executive James Dimon warned the banking giant is cautious about the future, noting "consumer-credit costs remain high, and weak employment and home prices persist."

That message was the opposite of what traders have been hoping to hear since the start of the broader fourth-quarter reporting season on Monday.

While participants have welcomed improving corporate bottom lines in the last few quarters, improvements in revenue have been hard to come by.

Dow component Intel, which released its earnings report late Thursday, was off 2.8%. The chip maker's fourth-quarter profit surged nearly 10-fold from the depressed year-earlier period, as revenue jumped 28%.

However, analysts and investors are wondering whether there's more room for the stock to climb after its most profitable quarter in history. Some participants have similar concerns about the market as a whole, considering that major indexes entered trading at 15-month highs despite lingering weakness in the U.S. economy.

"To have two marquee-name companies like J.P. Morgan and Intel put out their earnings and have the market react like this is a very bad sign," suggesting that a broader correction may be in store, said strategist Bill King, of M. Ramsey King Securities. "The flow of institutional money into the market has really dried up; no one wants to be buying at these levels."

The technology-heavy Nasdaq Composite fell 1.3%. The Standard & Poor's 500 fell 1.2%. All its sectors traded lower, led by a 2% pullback in financials. Economic data did little to offset investors' earnings jitters.

A new reading of consumer sentiment was worse than expected, though data on manufacturing in the New York region were surprisingly strong. Readings of consumer prices and industrial production were in line with Wall Street's forecasts. The dollar was higher against the euro but lower against the yen. Treasurys edged higher, with the 10-year note up 16/32 to yield 3.682%. Crude-oil futures slipped below $78 a barrel and gold futures also moved lower.