

TODAY'S MARKETS

Inflation Fears Dent Stocks Again

By JOANNA L. OSSINGER
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Stocks declined Friday as a patent ruling sank Microsoft shares and as traders wound down a holiday-shortened week and started thinking about upcoming economic data.

The Dow Jones Industrial Average fell 38.54 to 12647.48. The S&P 500 lost 5.19 to 1451.19, and the Nasdaq Composite Index slipped 9.84 to 2515.10.

Todd Clark, director of trading at Nollenberger Capital Partners, said inflation fears fueled the retreat. "The [consumer-price index] number that came out earlier this week started the whole thing," he said, when it was higher than expected. But the pullback hasn't generated significant downside momentum, and he still sees an "underlying positive trend in the market."

Volume was light, as it had been throughout the week. **"We're winding out the week, and the market is just kind of positioning itself" for key economic data scheduled to come out next week, said Rafael Resendes, co-founder of Applied Finance Group.**

Data analysts plan to watch next week include January durable-goods orders and existing home sales, due Tuesday; preliminary fourth-quarter gross-domestic product and January new-home sales on Wednesday; and weekly jobless claims, February auto sales and January construction spending on Thursday.

A federal jury ordered Microsoft to pay \$1.52 billion to Alcatel-Lucent for infringing patents related to MP3, a software technology for recording and playing digital audio. The patent verdict was one of the largest on record. Microsoft shares tumbled 1.7%, weighing on the Dow. Alcatel-Lucent shares gained 1.7% on hopes that other firms, including Apple, also may have to make payments to the French-American telecommunications-equipment maker.

Crude-oil prices ended up 19 cents to \$61.14 a barrel after earlier surging to nearly \$62, a day after a government report showed oil inventories rose last week, but gasoline and other distillates declined more than expected. Also, a U.N. report indicated that Iran, a major oil producer, has expanded its nuclear program, rather than heeding an ultimatum to freeze it.

Dow component J.P. Morgan Chase was off 1.2% as the financial-services sector took a hit on concerns about weakness in the subprime-lending industry. Bank of America lost 1.6%, and

Wachovia fell 1.8%. Bear Stearns lopped off 2.9% and Lehman Brothers Holdings weakened by 3.7%.

Subprime lender NovaStar Financial suffered another share-price drop, falling 9.2% to \$8.48. The stock has been hit hard in the past few days, after the company reported weak earnings. It is down nearly 70% from its Dec. 31 price of \$26.65.

Lowe's reported its fiscal fourth-quarter profit fell 12% as sales continued to be pressured by a slowing housing market and tough comparisons to last year's hurricane rebuilding efforts. But the results beat the Street's forecasts, and Lowe's shares rose 3.9% to \$34.93.

Tax preparer H&R Block swung to a third-quarter loss on costs tied to its mortgage business, but the company said it expects to sell its troubled mortgage unit. The stock gained 1.9% to \$22.85.

DaimlerChrysler has said it will offer detailed financial information on its Chrysler division selectively, as it discusses a sale of the unit with potential buyers. Media reports indicated that a number of private-equity firms have expressed interest in Chrysler. Daimler shares rose 1.3% to \$70.92. General Motors, which has been floated as a possible Chrysler partner, lost 1.1%.

San Francisco Fed President Janet Yellen spoke late in the trading day, reiterating support for the Fed's bias toward monetary-policy tightening, but saying price pressures have begun to ebb modestly.

Dallas Fed President Richard Fisher spoke earlier and said inflation pressures were under control, but said the Fed would stay vigilant against rising prices. His remarks weren't much different than those of Fed Chairman Ben Bernanke last week and seemed to have little net effect on stocks.

Yum Brands saw negative news nibble 0.9% off its shares, as national media outlets reported on an apparent infestation of rats at a Taco Bell restaurant in Manhattan.

In major market action:

Stocks fell slightly.¹⁵ On the New York Stock Exchange, 1,616 stocks advanced and 1,675 declined on volume of 1.25 billion shares.

Bonds rose.¹⁶ The 10-year Treasury note added 13/32, or \$4.0625 for every \$1,000 invested, yielding 4.682% Friday. The 30-year bond was up 24/32, yielding 4.785%.

The dollar weakened.¹⁷ The euro was at \$1.3163 from \$1.3124 at Thursday's close. The dollar was at 121.01 yen from 121.58 yen late Thursday.

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