



Jan. 22, 2008

Dow off 128: Sears, Deere lift local stock index

By Lorene Yue

(Crain's) — The Crain's Chicago Index of local stocks was in positive territory Tuesday afternoon, faring better than broader markets that were sharply stung in early trading as worries of a U.S. economic downturn spread around the globe.

The local index got a lift from Sears Holdings Corp., which rose nearly 12% to close Tuesday at \$99.85. Investors may see its recent announcement of reorganization into five business units as a favorable move for the retailer.

Deere & Co. also provided an index boost after its shares rose on news that a Citigroup analyst raised his price target and earnings estimates. Deere shares were up nearly 9% to \$83.15.

Those two stocks, along with 59 others, put the Crain's Chicago Index at 103.98 points Tuesday, up nearly 1%. The index of 135 public companies based in Illinois, compiled by Bloomberg L.P., had started the day with a loss.

The Dow Jones Industrial Average managed to recover from its dramatic opening fall, but was finished in negative territory.

The Dow was off 128.11 points, or 1%, to 11,971.19 Tuesday. It climbed back from a 465-point decline just after the opening bell as investors appeared to favorably digest an emergency 0.75-point rate cut delivered by the Federal Reserve.

The broader Standard & Poor's 500 index finished down 14.69 points, or 1%, at 1,310.50, while the Nasdaq composite index fell 47.75, or 2%, to 2,292.27 on Tuesday.

To see more market data

Trading among components of the Crain's Chicago Index was nearly even, with 61 gainers, 72 decliners and 2 unchanged.

Other local gainers include:

- W.W. Grainger Inc., up 6%, to \$76.30.
- Jones Lang LaSalle Inc., up 5%, to \$63.80.
- General Growth Properties, up nearly 5%, to \$34.43.

Shares of Motorola Inc. were down nearly 8%, a sign that investors may be expecting some bad news when the mobile handset manufacturer releases quarterly earnings Wednesday. Motorola was closed at \$12.32.

Career Education Corp. stock also took a hit, falling nearly 15% after the for-profit education company said SLM Corp., or Sallie Mae, was reviewing underwriting criteria and ending a student loan program. Its shares closed at \$17.03.

Other decliners in the local index included:

- Amcore Financial Inc., down 14%, to \$17.95.
- DeVry Inc., down 12%, to \$51.89.
- Stericycle Inc., down 7%, to \$56.15.

It's been a black year so far for stocks. The S&P 500 index, the broadest measure of the stock market, has suffered its worst annual start ever, giving up about 13% in just three weeks. The Dow is down about 12% since the beginning of the year, and the Nasdaq is down approximately 15%.

The Crain's Chicago Index is down more than 13% for the year.

The Fed's move on Tuesday was unusual, coming between regularly scheduled meetings and just a week before the next gathering of the central bank's policy-making Open Markets Committee. It was also larger than the half-percentage point that was widely anticipated to be announced at the end of that two-day meeting, and the largest cut in the fed funds rate on records going back to 1990.

But it created little, if any, optimism on Wall Street, in part because some analysts were predicting at the end of last week, when the Dow suffered back-to-back triple digit drops, that the Fed might act sooner rather than later. And stocks have been falling steeply for months because of the ongoing housing, mortgage and credit crisis and its impact on the overall economy; many investors believe much more is needed to right the markets and the economy.

The rate cut helped stanch the stock drop because "the equity markets are so used to the kneejerk reaction that if it's cheaper for companies to borrow, earnings will go up," said Daniel Alpert, managing director of Westwood Capital LLC. "But throwing more cheap money into the equation doesn't help the fact that we have a credit crisis

on our hands."

For the market to truly gain a foothold, investors need to see strong economic data in the coming weeks and solid earnings reports and forecasts this week from big multinational companies like Microsoft Corp., AT&T Inc., Caterpillar Inc. and Honeywell International Inc. The market also needs to hear that financial institutions like Citigroup Inc. and Merrill Lynch & Co., which have lost billions due to investments in failed mortgages, are on their way to solid earnings as well.

"If that doesn't happen, then all this is a short-term bottom before a resumption of selling," said Peter Boockvar, equity strategist at Miller Tabak.

U.S. bonds were mixed, with investors seeking safer investments as stocks declined. The price of oil, meanwhile, fell amid expectations that a downturn would depress demand for energy.

The Fed lowered the target federal funds rate, or the interest banks charge one another for overnight loans, to 3.50% and the discount rate, the interest the Fed charges banks directly, to 4%.

It can take months for an interest rate cut to work its way through the economy. In the short term, it makes borrowing cheaper, but the billions of dollars in failed mortgages over the past year have made lenders wary of writing loans to almost anyone - consumers or corporations. And if consumers and companies aren't spending more, an economic recovery can be slow.