



Stocks fall as investors weigh consumers, Dubai

By STEPHEN BERNARD and TIM PARADIS

Reviving worries about the strength of the holiday shopping season sent stocks falling modestly.

The stock market gave up an early advance Monday but also showed signs of stability following Friday's steep drop. Global markets are rebounding after falling in response to news that Dubai World, the main investment arm of the Persian Gulf city-state, asked to defer payments on \$60 billion in debt for six months.

Investors, reassured for the moment that Dubai's problems weren't a sign of spreading credit problems, turned their attention to consumers, whose spending is the biggest driver of the U.S. economy. Preliminary figures by ShopperTrak, a research firm that tracks more than 50,000 outlets, showed that sales rose 0.5 percent on Friday, the start to the holiday shopping season. Online sales jumped 11 percent Thursday and Friday, according to comScore, an Internet research firm.

The National Retail Federation trade group said Sunday it still expects holiday sales to slip 1 percent compared with last year.

Retail stocks fell as investors grew worried that consumer spending will still remain too weak to boost the economy.

Investors were initially anxious about the possibility that a debt default by Dubai could touch off a new round of lending problems even as credit markets are still recovering from last year's near-shutdown following the collapse of Lehman Brothers.

However, it appeared U.S. investors hold little of Dubai's debt, which has eased some concerns. The United Arab Emirates, where Dubai is located, also said Sunday it will make extra funding available to all banks in the country, including foreign banks with local offices.

Rob Lutts, president and chief investment officer of Cabot Money Management, said that while some investments will be lost in Dubai, the global stock markets have now accounted for those potential losses.

"We've seen the impact," Lutts said, pointing to Friday's sharp declines. "I think that issue is known now."

In midday trading, the Dow Jones industrial average fell 29.09, or 0.3 percent, to 10,280.52. The broader Standard & Poor's 500 index fell 3.20, or 0.3 percent, to 1,088.29, and the Nasdaq composite index fell 13.73, or 0.6 percent, to 2,124.71.

Investors showed some hesitancy to buy following news that the New York Federal Reserve would carry out small-scale reverse repurchase agreements. The U.S. Federal Reserve could use reverse "repo" agreements, as they're known, to remove liquidity from the market. Policymakers have flooded the financial system with cash to drive down borrowing costs and prop up the economy.

The New York Fed, which conducts the central bank's market operations, said the latest move wasn't a shift in policy but rather a preparation for when the Fed decides to rein in some of its supports for the economy.

Benny Lorenzo, CEO of the investment bank Kaufman Bros. in New York, said the NY Fed's announcement is a welcome sign that the economy is improving but it also stirs concern that taking away supports for the economy too soon could be harmful.

"The worst thing that could happen in an environment as fragile as this one is for there to be a significant policy mistake," he said. "It's a delicate transition."

The market's modest moves came after stocks tumbled in holiday-shortened trading Friday on concern about Dubai's debt problems. The Dow dropped 155 points before closing three hours early for the Thanksgiving holiday. It had fallen much as 233 points in early trading.

The move away from riskier stocks sent the price of safe-haven investments like Treasury bonds higher.

On Monday, bond prices retreated, sending yields higher. The yield on the benchmark 10-year Treasury note rose to 3.23 percent from 3.21 percent late Friday. The yield on the three-month T-bill, considered one of the safest investments, rose to 0.06 percent from 0.01 percent.

The dollar pared its losses against other major currencies, while gold rose.

In economic news, the Chicago Purchasing Managers index, which measures Midwestern manufacturing, rose to 56.1 in November from 54.2 in October. New orders rose and employment improved, while production expansion slowed.

Among retailers, Macy's Inc. slid \$1.03, or 6.1 percent, to \$15.94, while Target Corp. fell \$1.62, or 3.4 percent, to \$46.08.

Online retailers advanced. Amazon.com Inc. rose \$2.17, or 1.7 percent, to \$133.91, while eBay Inc. advanced 76 cents, or 3.3 percent, to \$23.98.

Light, sweet crude rose 30 cents to \$76.35 per barrel on the New York Mercantile Exchange.

Three stocks fell for every two that rose on the New York Stock Exchange, where volume came to 385.3 million shares.

Overseas, Japan's Nikkei stock average rose 2.9 percent. Britain's FTSE 100 fell 0.3 percent, Germany's DAX fell 0.4 percent and the CAC-40 in France dropped 0.5 percent.