



FT Home > Markets > Equities > US

Economic growth fears shake Wall Street

By Hannah Kuchler in New York
Published: August 24 2010 15:21 | Last updated: August 24 2010 15:21

US stocks sunk in early trading on Tuesday as investors across the world fled risky assets and Wall Street feared that upcoming economic data releases could be weaker than previously expected.

Less than an hour after the opening bell, the S&P 500 was down 1.7 per cent to 1049.64, the Dow Jones Industrial Average fell 1.5 per cent to 10,019.07 and the Nasdaq was lower by 1.9 per cent to 2119.55.

EDITOR'S CHOICE

- [Worries about US recovery deepen](#) - Aug-24
- [Gloom thickens across Tokyo's markets](#) - Aug-24
- [Double-dip fears send sterling to month-low against dollar](#) - Aug-24
- [European construction hit by CRH warning](#) - Aug-24
- [FTSE 100 under 5,200 as recovery woes add to pressure](#) - Aug-24

Shares fell after existing home sales in July dropped more than expected. The sales were forecast to fall 12 per cent to 4.7m but actually fell 27.2 per cent to 3.8m units, a 15-year low. The S&P 500 homebuilder index fell 2.7 per cent with Lennar leading the fallers, down 4.4 per cent to \$12.16.

The Richmond Federal Reserve bank's manufacturing index will be watched more closely than usual after negative figures from the Philadelphia Fed last week shook investor confidence for days.

Investors were not just looking ahead to Tuesday's economic news, as concerns are rising about a possible revision to the second quarter GDP figure, due to be released on Friday. Most economists are predicting GDP, which was reported to have risen 2.4 per cent, to be revised down to growth of about 1.4 per cent.

But Jan Hatzius, chief economist at Goldman Sachs, thinks the consensus estimate is also too high and that it will actually be revised down to 1.1 per cent. He said this revision will mean forecasts for GDP for the rest of the year will need to fall by at least 1 percentage point and the unemployment rate forecast will also need to fall by a minimum of 1 percentage point. He forecasts GDP in the second half to grow at an annualised rate of 1.5 per cent.

All 10 main sectors of the S&P fell in a broad-based sell-off, with six down more than 1 per cent. The S&P 500 industrials index slid 1.9 per cent on fears about the impact of a slower economic recovery on demand for their products, with **Caterpillar** down 3 per cent to \$64.87 and **Boeing** falling 2.2 per cent to \$61.89.

Oil companies followed the oil price down with **Exxon Mobil** losing 0.4 per cent to \$59.26, Conoco-Phillips dropping 0.8 per cent to \$53.27 and Chevron declining 0.9 per cent to \$74.39.

Markets were briefly buoyed on Monday morning by potential deal activity, including **Hewlett-Packard** bidding for data storage company 3Par. **Dell**, which had already entered a bid for the company last week, fell 4.3 per cent to \$11.43 in early trading on Tuesday after it was reported that it might raise its bid for 3Par.

Shares in 3Par, which have surged 50 per cent in the last week, climbed 3.6 per cent to \$27.02. HP shares fell 0.9 per cent to \$38.71.

The other big potential deal – between **Potash Corp** and **BHP Billiton** – continued to be in the spotlight as **Vale**, Latin America's largest mining company, ruled itself out of the bidding. Vale shares fell 1.5 per cent to \$26.77 while US-listed shares of Potash edged down 0.2 per cent to \$149.96 and US-listed shares of BHP Billiton fell 1.8 per cent to \$65.92.

Genzyme, subject to a bid from French pharmaceutical **Sanofi-Aventis**, fell 0.6 per cent to \$67.38 after it was reported that the companies were at odds over the threshold price at which Sanofi could start its due diligence on Genzyme's books. US-listed shares in Sanofi-Aventis were down 2.2 per cent to \$28.34.

In earnings news, **Burger King** nudged up 0.1 per cent to \$16.63 in spite of a fall in profit and sales. Earnings per share were better than expected at 36 cents, compared with estimates of 34 cents per share. But profits came from cost control as total revenue fell 1 per cent to \$623m. Rival **McDonalds** reported a rise in profit and sales in its most recent quarter.

Bookshop chain Barnes & Noble, which put itself up for sale earlier this month, reported a larger-than-expected loss in its first quarter as sales continued to slide. The loss excluding exceptional items was \$1.02 per share compared with an average projected loss of 80 cents

INTERNATIONAL BUSINESS INSIGHT

In part one of the FT's International Business Insight series, learn more about investment opportunities arising in central and eastern Europe post-recession.

[More](#)

LATEST HEADLINES FROM CNBC

- [Uncertainty Keeping Retail Investors Away: Market Pro](#)
- [Greenberg: Department of Education Circles Back on Strayer](#)
- [Behind the Weak Trading Start](#)
- [Will Palin and Lohan Affect Tuesday's Elections?](#)
- [Stocks Pare Losses; Housing Stocks Rise](#)

[More](#)

EQUITY INDICES

	Last	Since Prev Close	Session
DOW United States	10,076.67	-97.74 -0.96%	Closes in 2 hr 50 min
S&P 500 United States	1,055.45	-11.91 -1.12%	Closes in 2 hr 50 min
NIKKEI Japan	8,995.14	-121.55 -1.33%	Closed
HANG SENG Hong Kong	20,658.71	-230.30 -1.10%	Closed
DAX Germany	5,935.44	-75.47 -1.26%	Closed
FTSE 100 United Kingdom	5,155.95	-78.89 -1.51%	Closed

[View markets data](#)

Jobs Business for sale Contracts & tenders

SEARCH

- Group Chief Accountant**
[Centrica](#)
- Director**
[European Patent Office](#)
- CHIEF OPERATING OFFICER**
[Fujairah Gold FZE](#)
- International Finance Director**
[Blue Chip](#)

RECRUITERS

FT.com can deliver talented individuals across all industries

per share. The company is suffering from a structural shift over where people buy books, as it competes with both online retailers and e-books. Shares sunk 4.9 per cent to \$14.27.

At Barnes & Nobles' competitor Borders, chief finance officer Mark Bierley resigned for another job, sending shares down 2.5 per cent to \$1.16.

Copyright The Financial Times Limited 2010. You may share using our article tools. Please don't cut articles from FT.com and redistribute by email or post to the web.

[Print article](#) [Email article](#) [Clip this article](#) [Order reprints](#)

[Twitter](#) [Digg](#) [LinkedIn](#) [Yahoo! Buzz](#) [Delicious](#)
[reddit](#) [BX](#) [Facebook](#) [stumbleupon](#) [Viadeo](#)

[around the world](#)
[Post a job now](#)

RELATED SERVICES

FT Lexicon	MBA-Direct.com
FT Bespoke Forums	FT Newspaper subscriptions
Market research	FT Diaries
Growth companies	FT Conferences
Corporate subscriptions	FT Syndication services
Luxury Travel brochures	The Non-Executive Director
Analyst Research	

MORE IN THIS SECTION

[US tech stocks surrender early gains from 3Par news](#)

[PotashCorp warning on BHP strategy](#)

[TPG plans launch of renminbi fund](#)

[HPG locks horns with Dell over data group](#)

[Summer chill for PC makers as sales wilt](#)

[Condé Nast in push to court India's affluent](#)

[Brokers face fines over role in flash crash](#)

[Call to block Huawei's Sprint deal](#)

[US stocks fall as recovery fears weigh](#)

[PotashCorp chief in line for \\$370m](#)

[Dell surpasses earnings expectations](#)

[FT Home](#)

[Site map](#) [Contact us](#) [Help](#)

[Advertise with the FT](#) [Media centre](#) [FT Newspaper subscriptions](#) [FT Conferences](#) [FT Syndication](#) [Corporate subscriptions](#) [FT Group](#) [Careers at the FT](#)

Partner sites: [Chinese FT.com](#) [The Mergermarket Group](#) [Investors Chronicle](#) [Exec-Appointments.com](#) [Money Media](#) [The Banker](#) [fDi Intelligence](#) [MBA-Direct.com](#) [The Non-Executive Director](#)

© Copyright The Financial Times Ltd 2010. "FT" and "Financial Times" are trademarks of The Financial Times Ltd. [Privacy policy](#) [Terms](#)