

Drop in home sales tugs at stock market

By TIM PARADIS, AP Business Writer

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NEW YORK – An unexpectedly large drop in home sales dashed some hopes Thursday that the economy is patching some its biggest wounds.

Stocks fluctuated after a 3 percent drop in sales of existing homes in March stirred worries that housing will remain a drag on the economy. The slump in demand for homes is making banks hesitant to lend because of worries they will lose money as home prices deteriorate.

The grim housing report at times overshadowed stronger-than-expected earnings reports from Apple Inc. and eBay Inc. as well as defense contractor Raytheon Co.

Weaker-than-expected earnings at shipping company UPS Inc. and a rise in unemployment claims added to the worries about the economy.

"We're in the middle of spring and people are trading stocks on hope," said Charles Ortel, managing director at Newport Value Partners in New York. "But the harder data that are appearing are very negative."

In early afternoon trading, the Dow Jones industrial average rose 1.27, or less than 0.1 percent, to 7,887.84.

Broader stock indicators were mixed. The Standard & Poor's 500 index rose 0.89, or 0.1 percent, to 844.44, and the Nasdaq composite index fell 2.60, or 0.2 percent, to 1,643.52.

The fluctuations came a day after stocks ended mostly lower on worries about the health of banks and concerns that the market has risen too fast since logging 12-year lows more than six weeks ago. The Dow is up 20.5 percent since then.

The National Association of Realtors reported that sales of existing homes dropped 3 percent to an annual rate of 4.57 million last month stirred worries that housing will remain a drag on the economy.

Ken Winans, president and chief executive of Winans International in Novato, Calif., said investors have been too quick to predict the end of the recession given the glut of available homes. "The root of the problem in this market has been housing," he said.

Profits at Apple Inc. and eBay Inc. topped analysts' expectations. Raytheon raised its full-year earnings forecast, and PNC Financial Services' first-quarter profit was stronger than what analysts had been expecting.

Apple rose \$4.55, or 3.7 percent, to \$126.06, while eBay rose \$1.83, or 12.4 percent, to \$16.61. Raytheon advanced \$2.47, or 6 percent, to \$43.77.

UPS fell \$1.16, or 2.1 percent, to \$53.59 after its first-quarter earnings fell more than 55 percent as fewer people sent packages and used premium services like next-day air amid the global financial crisis. The world's largest shipping carrier also warned second-quarter results will fall short of expectations.

The government said new unemployment claims rose more than expected last week, while the number of workers continuing to file claims for jobless benefits topped 6.13 million, the 12th straight weekly record.

In other trading Thursday, the Russell 2000 index of smaller companies fell 3.41, or 0.7 percent, to 467.30.

Four stocks rose for every three that fell on the New York Stock Exchange, where volume came to 749.2 million shares.

Bond prices fell, pushing the yield on the benchmark 10-year Treasury note up to 2.95 percent from 2.94 percent late Wednesday.

Light, sweet crude rose 62 cents to \$49.47 per barrel on the New York Mercantile Exchange.

The dollar was mixed against other major currencies, while gold prices rose.

Overseas, Japan's Nikkei stock average rose 0.22 percent. In afternoon trading, Britain's FTSE 100 fell 0.3 percent, Germany's DAX index fell 1.2 percent, and France's CAC-40 fell 0.6 percent.

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