

# Bloomberg

---

## U.S. Stocks Fall as Investors Assess Effects of Impasse

By Alex Barinka and Inyoung Hwang - Oct 2, 2013

U.S. stocks fell, after the Standard & Poor's 500 Index rose the most in almost two weeks yesterday, as investors watched for progress on ending an impasse over federal spending that shut down the government a second day.

Alcoa Inc. (AA) slumped 1.8 percent after Deutsche Bank AG lowered its rating on the aluminum producer. Monsanto Co. dropped 1 percent as the world's largest seed company gave a full-year earnings forecast that trailed analyst estimates. Global Payments Inc. (GPN) rallied 11 percent after boosting its earnings forecast.

The S&P 500 lost 0.1 percent to 1,693.87 at 4 p.m. in New York, trimming an earlier drop of as much as 0.9 percent. The Dow Jones Industrial Average fell 58.56 points, or 0.4 percent, to 15,133.14. About 5.8 billion shares changed hands on U.S. exchanges, in line with the three-month average.

"The market is trying to figure out how serious the situation in Washington is," Paul Zemsky, chief investment officer of multi-asset strategies for ING Investment Management, said by phone from New York. His firm oversees \$190 billion. "Today's worry is that it is more serious than we originally thought, which is putting pressure on the market."

The benchmark gauge for U.S. equities climbed 0.8 percent yesterday, as investors speculated any economic effects from the first partial shutdown of the U.S. government since 1996 would be limited. The index rallied 4.7 percent in the third quarter and is 19 percent higher in 2013.

## High-Level Talks

Equities sank in early trading as the federal work stoppage entered its second day. Benchmark indexes pared losses as President Barack Obama summoned the top four leaders of Congress to the White House for the first high-level talks on reopening the U.S. government and raising the debt ceiling.

A partial shutdown lasting one week would probably shave 0.1 percentage point from economic growth, according to the median estimate of economists, with the costs accelerating if the closing persists.

"The impact on the broader economy does start to kick in as the shutdown extends beyond a

week, two weeks,” said Stephen Stanley, chief economist at Pierpont Securities LLC in Stamford, Connecticut, whose estimate matched the survey median. “If it’s a couple of days or even a week it’s something that we’ll have forgotten about a month or two from now.”

Obama earlier met at the White House with Goldman Sachs Group Inc. Chief Executive Officer Lloyd C. Blankfein and other bank leaders to discuss the economic effects of the impasse. Blankfein said lawmakers are risking the recovery if they don’t raise the federal debt ceiling.

## Debt Ceiling

The U.S. has begun final steps to avoid breaching the cap, Treasury Secretary Jacob J. Lew said, urging Congress to raise the borrowing authority “immediately” in a letter addressed to House Speaker John Boehner. Lew repeated that the measures will be exhausted no later than Oct. 17.

A report today showed companies added fewer workers than projected in September, indicating the job market is struggling to gain momentum. The 166,000 increase in employment followed a revised 159,000 rise in August that was smaller than initially estimated, according to the ADP Research Institute in Roseland, New Jersey. The median forecast of 40 economists surveyed by Bloomberg called for an advance of 180,000.

## Fed Stimulus

Investors have been scrutinizing economic reports to gauge whether growth is robust enough for the Federal Reserve to begin curtailing stimulus at its next meeting this month. The Labor Department won’t release its monthly jobs report on Friday if the government remains closed.

Alcoa will be the first S&P 500 company to report earnings whose fiscal year follows the calendar when it releases results Oct. 8. Profit at S&P 500 companies grew 1.8 percent last quarter, projections compiled by Bloomberg show. JPMorgan Chase & Co. and Intel Corp. are among the 316 companies in the gauge scheduled to report in October.

“U.S. companies -- even with all the banter coming out of Washington -- we believe are the best-positioned assets in the world,” Brian Belski, the New York-based chief investment strategist at BMO Capital Markets said in an interview with Tom Keene and Michael McKee on Bloomberg Radio’s “Bloomberg Surveillance.” “At times like this, we always default to fundamentals and default to quality. And we would be using weakness here to add to our positions.”

The Chicago Board Options Exchange Volatility Index, or VIX, rose 6.8 percent to 16.60 today, reversing a 6.4 percent drop yesterday. The equity volatility gauge is down 7.9 percent this year.

## Government Contractors

Six of the 10 industries in the S&P 500 retreated today, after all groups rallied more than 0.3

percent yesterday. Industrial and telephone companies tumbled 0.4 percent to pace today's declines.

Producers of capital goods fell 0.3 percent as a group, led lower by military contractors. United Technologies Corp. dropped 2.2 percent to \$104.98 for the biggest loss in the Dow. Lockheed Martin Corp. sank 1.9 percent to \$125.08.

Alcoa slumped 1.8 percent to \$8.02. Deutsche Bank reduced its recommendation to sell from hold, citing the outlook for lower aluminum prices. Shares of the company could fall 33 percent to as low as \$5.50 in the next year, according to the firm, which also said Alcoa should consider spinning off its primary metals business.

Monsanto fell 1 percent to \$104.04. The company reported a fourth-quarter loss that was wider than anticipated and said earnings for the year that began Sept. 1 will be no more than \$5.20 a share excluding acquisition costs. Analysts estimated profit of \$5.34 on average. Monsanto also agreed to buy farm-data company The Climate Corp. for \$930 million.

Global Payments climbed 11 percent to a record close of \$56.49. The bank-card processor forecast cash earnings in 2014 will be as much as \$4.05 a share after earlier predicting profit will be no more than \$4. The Atlanta-based company also reported first-quarter cash earnings were \$1 a share, exceeding the 94-cent profit estimated by analysts on average.

Tenet Healthcare Corp. jumped 6.1 percent to \$43.90, the biggest gain in the S&P 500. (SPX) Bank of American Corp. analyst Kevin Fischbeck said the company is well-positioned to win business on the BlueCross BlueShield of Texas network. Tenet yesterday completed its \$1.8 billion acquisition of Vanguard Health Systems Inc.

To contact the reporters on this story: Alex Barinka in New York at [abarinka2@bloomberg.net](mailto:abarinka2@bloomberg.net); Inyoung Hwang in New York at [ihwang7@bloomberg.net](mailto:ihwang7@bloomberg.net)

To contact the editor responsible for this story: Lynn Thomasson at [lthomasson@bloomberg.net](mailto:lthomasson@bloomberg.net)

---

©2013 BLOOMBERG L.P. ALL RIGHTS RESERVED.