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Technology sector takes exception in U.S. stocks' drop Analyst: IT scores best come-from-behind performance in forward earnings

By Kate Gibson, MarketWatch

NEW YORK (MarketWatch) -- As the U.S. stock market on Monday extended the prior week's losses, technology remained the least bleak spot after emerging as the only sector to eke out gains last week.

On Monday, tech shares lapsed along with the broader market, but remained the session's best performer among the S&P 500's 10 industry groups, with materials and financials down the most.

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Yu-Dee Chang, ACE Investment Strategists LLC

The market started off higher as the dollar was weak, which helped commodity prices, such as oil. Then the dollar turned positive and triggered concern a rising dollar would hurt commodity prices, which hurt stocks," said Yu-Dee Chang, principal for ACE Investment Strategists LLC.

"These days, it all goes back to the dollar. The investment community tends to focus on something from time to time, and right now it's the dollar," said Chang.

After rising 100 points early on, the Dow Jones Industrial Average (INDEX:INDU) declined 104.22 points, or 1.1%, at 9,867.96.

"The financial sector is putting the most pressure on the overall market. There are two major concerns: Bank of America (NYSE:BAC) will most likely have to raise money to pay back TARP, and over the weekend we certainly added to the list and got over the century mark for the number of banks that have gone under the waves," said Art Hogan, chief market strategist at Jefferies & Co.

"In the middle of the day, a couple of banks got downgraded, which was coupled with some chatter that the government may phase out the home buyer credit, which hurt home builders," said ACE's Chang.

The S&P 500 Index (INDEX:SPX) shed 12.66 points, or 1.2%, to 1,066.94, while the technology-driven Nasdaq Composite Index (NASDAQ:COMP) was the last to give up gains, retreating 12.62 points, or 0.6%, to 2,141.85.

As of Friday's close, 62% of S&P 500 component companies reporting their quarterly results had topped analysts' expectations for sales -- and tech's accounted for the best revenues as compared with Wall Street's outlooks. Overall, sales are still on track to drop about 10%, according to Thomson.

"Tech was the only sector to rise last week and is still the best performer year-to-date with a gain of 49.5%," wrote Ed Yardeni, chief investment strategist of Yardeni Research Inc., in a Monday note.

Early risers

On Monday, shares of Amazon.com Inc. (NASDAQ:AMZN) continued to rise, up 5.2%, in the wake of the online retailer's strong earnings report on Friday.

AMZN 121.56, -0.08, -0.07%



Of the Dow industrials' 30 components, Microsoft Corp. (NASDAQ:MSFT) was one of three to remain in positive turf, up 2.4% after industry reports of strong sales of the new Windows 7 operating system, released Oct. 22. See Tech Stocks.

Also bucking the negative trend, shares of Marvell Technology Group Ltd. (NASDAQ:MRVL) rose 2.8% after the maker of storage and communications semiconductors raised its third-quarter revenue forecast. Read full story.

"Eight of the 10 S&P 500 sectors are confirming the cyclical rebound in forward earnings, with new record highs for consumer staples and health care. Information technology is showing the best come-from-behind performance," said Yardeni.

Past performance is not indicative of future results. The risk of loss exists in futures trading.