

CLM Latest on Stocks
HD **U.S. Stocks Drift Lower**
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U.S. stocks closed broadly lower Tuesday, with declines concentrated in smaller, high-growth stocks and consumer Internet shares.

The Dow Jones Industrial Average dropped 129.53 points, or 0.8%, to 16401.02. The Dow has lost 1.1% since closing at a record of 16580.84 on April 30.

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The S&P 500 index lost 16.94 points, or 0.9%, to 1867.72 and the Nasdaq Composite Index slid 57.30 points, or 1.4%, to 4080.76.

The Russell 2000 index of smaller-capitalization stocks shed 1.6% to close at the lowest level since Feb. 6.

The Russell 2000 has resumed a selloff this month, and is now down 4.8% on the year, compared with a 1% gain in the S&P 500.

Frank Cappelleri, sales trader at brokerage **firm** Instinet, said the resumed weakness in small-cap stocks is weighing down a thinly traded market.

"Continued underperformance by the Russell 2000 relative to the S&P 500 is something we can't ignore," Mr. Cappelleri said. "Anytime you have a major part of the market not participating in a rally," it's going to give investors pause, he said.

"If you look at the leader board, it's the growth stocks that are getting hit," said Joe Saluzzi, co-head of **equity** trading at institutional brokerage **firm** Themis Trading.

He said overall activity was muted, and investors weren't showing any sign that they were overly concerned about the day's weakness.

"It's relatively quiet. We don't have a volatility spike here," Mr. Saluzzi said.

The Chicago Board Options Exchange Volatility Index, often called the market's "fear gauge," rose 4.2% to 13.85, but remained below Monday's high of 14.20.

Among some high-growth stocks getting hit the hardest, Twitter tumbled 18% on heavy volume to an all-time closing low. The expiration of a lockup, following the **company's** initial public offering in November, means 489 **million** shares, or 83% of shares outstanding, are now eligible for **sale** on Tuesday.

Twitter's weakness weighed on other consumer Internet and high-growth stocks, traders said. Facebook shed 4.4%, Amazon.com dropped 4.1% and LinkedIn slid 5.7%. The PowerShares Nasdaq Internet exchange-traded fund lost 2.7% while the iShares Nasdaq Biotechnology ETF slumped 1.7%.

Within the Dow, Merck dropped 2.6% to **lead** declines in 27 of 30 components. The drug maker agreed to sell its consumer-care business, which generated a large part of its sales last year, to Germany's Bayer for \$14.2 **billion**.

William Lynch, director of investments at Hinsdale Associates, which has \$150 **million** in assets under management, said some investors have started expressing concern that economic growth may not be strong enough to support stocks near record highs. This concern over growth is being expressed by the recent decline in Treasury yields, which are hovering just above three-month lows.

The yield on the 10-year Treasury fell to 2.595% from 2.611% late Monday.

"There are fewer people willing to step in to buy at current levels," Mr. Lynch said. "There's a lot of optimism, but in terms of the market going higher, they need to see more positive [economic] news. Until we see that, investors have a right to be a little cautious here."

Earlier, data showed that the U.S. trade deficit for March narrowed slightly less than expected.

As earnings reporting season winds down, the pace of improvement in earnings growth has slowed. With 80% of the S&P 500 having reported first-quarter results, aggregate earnings per share are now expected to be up 1.4% from year-ago levels, according to FactSet, down from 1.5% late Monday, but up from expectations of a 1.2% decline at the end of March. Revenue is seen growing 2.7% from last year, according to FactSet.

"We may not be seeing robust economic growth, but it's good enough to keep to keep corporate earnings growth in a positive trajectory," said Katie Nixon, chief investment officer at Northern Trust Wealth Management, which manages \$217 **billion**.

Gold futures eased 0.1% to settle at \$1,308.30 an ounce, while crude **oil** futures inched up less than 0.1% to \$99.50 a barrel.

European markets closed broadly lower as a rally in the euro currency to a near two-month high against the dollar increased concerns about low inflation. One way a rising euro suppresses inflation is it makes imports cheaper.

Asian markets were little changed as many markets were on vacation. **China's** Shanghai Composite inching up less than 0.1%. Markets in Japan, **Hong Kong** and South Korea were closed.

In other corporate news, Athenahealth dropped 14% after Greenlight Capital founder David Einhorn said at the annual Sohn Investment Conference late Monday that he was short the stock, and believed it could fall 80%.

American International Group gave up 4.1% after the insurer topped first-quarter earnings estimates but missed on revenue.

Office Depot rallied 16% after exceeding first-quarter earnings and revenue forecasts, raising its earnings outlook and announcing plans to close at least 400 stores to reduce overlap following its **acquisition** of OfficeMax.

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