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Illustration: GRAPHICS 2

Early reports of disappointing earnings bring down stocks

Wall Street is back to contending with the nasty fours: \$40-a-barrel oil and \$400-an-ounce gold.

These conditions, which reflect international tensions and a weakening dollar, seemed a thing of the past just one month ago.

But June ended with a thud, according to several companies that have posted quarterly results. Expected orders did not materialize.

Analysts have begun to question whether labor productivity gains can be sustained.

Fears that economic growth is slowing weakened the dollar and helped push key commodity prices higher.

Stocks fell broadly in moderate trading Thursday, as traders expressed disappointment with the initial batch of quarterly earnings reports, and the government warned of possible terrorist activity around the time of the November election.

Oil prices moved above \$40 a barrel, reflecting worries about U.S. supplies. News of tepid retail sales in June added to investor gloom.

The Dow Jones industrial average fell 68.73 points, to 10,171.56, wiping out its June gain.

Home Depot was the biggest percentage loser among the 30 Dow industrials. Shares fell 71 cents, or 2 percent, to \$34.29. The day's biggest gainer among the Dow stocks was Chicago-based Boeing, which added 58 cents, or 1.2 percent, to \$49.97.

The broader Standard & Poor's 500 index lost 9.22, to 1109.11. The Nasdaq composite index lost 30.76, or 1.6 percent, to 1935.32.

All three major indexes are in negative territory for the year, and all appear to be poised to repeat this year's chart pattern of lower highs when the market rallies and lower lows when it declines.

Among stocks in the news, Internet services provider Yahoo sank \$2.52,

or nearly 8 percent, to \$30.08, after a disappointing quarterly report Wednesday.

New York Stock Exchange trading volume reached 1.40 billion shares. Losers outnumbered winners by a 2-1 ratio.

Nasdaq trading volume totaled 1.75 billion shares, as losers topped winners by a 3-1 ratio.

Treasury securities ended little changed. The Treasury's auction of \$10 billion in 10-year inflation-protected notes, called TIPS, brought a yield of 2.02 percent.

Oil for August delivery rose \$1.25 a barrel, to \$40.33, in New York futures trading. Gold for August delivery rose \$5.50 an ounce, to \$408.20

A flat tire: After pumping up profits in the last year through cost cutting, corporate executives have grown tired.

Purchases of shares by company insiders dried up in June, dropping 42 percent from May, according to Thomson First Call, which monitors buy and sell transactions by corporate executives and board members reported to the Securities and Exchange Commission.

It was the biggest May-June decline in insider buying since 1997, Thomson reported. Meanwhile, the pace of insider selling in June remained above the five-year average for an 11th consecutive month.

Michael *Painchaud*, research director at Market Profile Theorems, an investment advisory firm in Seattle, said insiders know what they're doing.

Along with Federal Reserve Chairman Alan Greenspan, the nation's business leaders pumped air into the economy as fast as they could to escape a recession. The result was impressive year-over-year gains in quarterly profits through the first half of the year.

"But as hard as they pump, they cannot keep air in the tires," said *Painchaud*.

Raw materials prices have risen. Inflation is looming.

"There's not a lot of reward out there for the risks they have to take," he said. It's no surprise that insider buying, as well as the stock market at large, has stagnated, he said.

"Insiders have been right on the money. We've got the summer doldrums. Things are drying up on the Street. I don't see any catalyst that creates a long-term reason to be in the equity markets."

One bright spot, evident in insider buy-sell reports, may be the

semiconductor sector, which languished in the first half of the year.

Major semiconductor stocks appear to be attracting the interest of their own executives.

"Large-cap growth stocks may be a place to go to hide," *Painchaud* said. "I think the small-cap thing is dead."

Column: Market report.

Captions: GRAPHIC: (Business sec., page 1). MARKETS.

- See microfilm for complete graphic

GRAPHIC: DOW JONES, NASDAQ

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