CNBC Market Dispatches 8/13/2004 12:14:02 PM ET

Oil puts a cap on Dell-inspired buying

Guess what? Crude hit another intraday record. Dell's upbeat outlook leads a bit of a tech comeback. Where does Henry Blodget value Google?

Investors have **Dell's** (DELL, news, msgs) optimism to thank for small market gains this morning, but persistent fretting about high oil prices is limiting the rise. A whopping rise in the U.S. trade deficit also weighed on stocks.

The **Dow** rose 0.2%, the **Nasdaq composite** was up 0.6% and the **S&P 500 index** rose 0.26%.

Dell said after the bell yesterday that it's seeing strong corporate demand and solid back-to-school sales and its upbeat guidance took some of the sting out of **Hewlett-Packard's** (HPQ, news, msgs) Thursday warnings on profit and its server and storage business.

But, for the umpteenth time, oil prices hit a new intraday high and that limited the market's rise. New York light crude rose 34 cents to $45.84 per barrel at midday. The latest jitters concern Venezuela, where President Hugo Chavez faces a referendum on his leadership this weekend. Sabotage in Iraq is still a worry, as well.

But whether Chavez is recalled or not, Venezuela's will likely keep pumping oil, Luis Organes, J.P. Morgan emerging markets analyst, told CNBC's "Morning Call." If Chavez holds on, opposition party members aren't really in a position to halt oil production, Organes said.

If he is recalled, there will be an election in one or two months and during that time the vice president will be in power, he said. The government would have an incentive to keep production going ahead of the election, Organes added.

Cisco raised, FDA raises Genentech concern

Along with Dell, **Cisco Systems** (CSCO, news, msgs) helped the Nasdaq after an upgrade from Morgan Stanley to "overweight" from "equal weight." Morgan said underlying demand remains strong, while cautious guidance offers a buying opportunity, Briefing.com reported. The stock rose 1.4%.

Shares of biotech **Genentech** (DNA, news, msgs) dropped more than 5%

Market Summary

August 13, 2004 -- 13:30 ET
[BRIEFING.COM] Limited action as the market averages vacillate slightly off of their respective midday lows (and support). How will the session end? The standard theory is that market participants look to square positions ahead... More

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after regulators raised concerns about its major cancer treatment Avastin. The Food and Drug administration warned that Avastin could cause in increased risk of deadly blood clots in the arteries, Reuters reported.

And **U.S. Airways** (UAIR, news, msgs) plunged more than 17% after investment bankers working for the carrier's pilots union said a bankruptcy filing is highly likely, The Wall Street Journal reported. The bankers confirmed, in a report, management's assertions that the company would need to file for Chapter 11 without major cost cuts, the Journal said. U.S. Airways "might be worth more dead than alive to groups other than the employees," one banker said, according to the paper.

Did Google reveal too much in Playboy?

Search engine Google started taking bids for its initial public offering at 9 a.m. ET. But there are concerns that an article about the company in Playboy based on an interview with Larry Page and Sergey Brin violated IPO quiet-period regulations and could complicate the debut. Google said it does not believe the article constitutes a securities violation, but it could be required to buy shares back from investors at the original IPO price if it does, Reuters reported.

Individual investors bidding for a piece of Google should be careful as "nobody knows what the company is worth," former Merrill Lynch Internet analyst Henry Blodget told CNBC's "Squawk Box."

"I think individuals should realize that they still are, even in this democratic method, at a very big disadvantage to institutions that have much better information and much more tools to make the valuation," Blodget said.

Blodget, who in a voluntary settlement with regulators is banned from the securities industry for conflict of interest, now writes for Slate.com

CNBC video: Blodget on the Google hype.

Next stop, Dow 8,800?

(One strategist tells MSN Money columnist Michael Brush insiders are still selling and the market is still overvalued.)

After all the carnage in stocks of late, is it just about over? Not yet, says Michael Painchaud, a market strategist and the director of research at Market Profile Theorems in Seattle.

"The market is still overvalued and we could see 8,800 for the Dow Jones Industrial Average by the end of the year," he says. "The direction of the equity market is still lower."
Painchaud, of course, doesn't exclude counter-rallies along the way. But he thinks we are in a bear phase that could last anywhere from six to 18 months, for the following reasons.

Besides lingering high valuations, Painchaud pointed out that corporate insiders are still selling aggressively. Second, the rates of growth for both corporate earnings and for the economy have peaked, which weighs on stock prices even though growth remains.

"Next, if you look at markets and how they are behaving from a style perspective, investors are favoring large-cap value stocks. That is a very defensive posture that comes at the end of bull markets, and it is why index funds are performing better and small-cap managers are falling behind," said Painchaud.

Beyond these factors, Painchaud cited the litany of negatives that grab the headlines each day: like the high price of oil, fear of terror strikes, and the unsettled dynamic in Iraq.
Plus there's another problem that's a throwback to the Nixon-Ford era of thirty years ago.
That's "stagflation," or the nagging combination of stagnant growth and inflation. "The problem is the economic recovery is not strong enough," he says. "But because of the aggressive monetary policy, among other things, we have an inflation threat. So we will be in a stagflation environment."

U.S. trade deficit hits a record

But the trade deficit widened to a record $55.8 billion in June from a revised $46.9 billion in May, the government reported. That was far bigger deficit than expected; economists had projected just a small widening to $47 billion. The big culprit was exports, which dropped 4.3% to $92.8 billion. It was the largest fall since September 2001, Reuters reported.

"Our real problem is we are recovering, but our trading partners are not," Jim Glassman, senior U.S. economist at J.P. Morgan, told "Squawk Box." Low exports are further evidence the economy "really did slow down" in the second quarter, Glassman said.

Meanwhile, wholesale prices edged up less than expected in July, providing some comfort for those worried about inflation. The producer price index rose 0.1% in July, compared to a 0.3% rise in June, the Labor Department said. Economists had expected a 0.2% rise in the PPI.

Excluding volatile food and energy prices, the PPI rose 0.1% for July, compared to a 0.2% rise the month before. The rise was in line with expectations, according to Briefing.com.

With the current oil situation, investors are “looking for an indication that inflation is not going to be a headwind for the economy,” and today’s PPI should be good news for stocks, David Hartney, head of floor trading at J.P. Morgan Futures, told CNBC’s “Squawk Box.”

A preliminary measure of consumer sentiment in August, out shortly after the opening bell, was also a bit of a downer. The University of Michigan consumer sentiment index dropped to 94 from 96.7 in July. Economists were looking for a rise to 97, Briefing.com reported.

-- Kim Khan and Charley Blaine

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