Apr 17, 2009 10:06 AM EDT

Stocks fluctuate after Citi, GE earnings

By SARA LEPRO
AP Business Writer

NEW YORK (AP) -- Wall Street struggled to find a direction Friday as investors sorted through better-than-expected earnings reports from banking giant Citigroup Inc. and industrial conglomerate General Electric Co.

Stocks fluctuated in the early going, making modest moves as investors were relieved the reports weren't worse, but were mindful of the weakness that still pervades the financial sector.

Citigroup, considered to be one of the most troubled U.S. banks, reported a quarterly loss of just under $1 billion, less than analysts expected. And before paying preferred dividends, the bank turned a profit of $1.6 billion. A year ago, Citigroup suffered a loss of more than $5 billion.

Meanwhile, General Electric's first-quarter earnings fell 36 percent, hurt by waning sales and a sharply lower profit at its ailing finance arm, GE Capital. But the results exceeded Wall Street's forecasts.

In early morning trading, the Dow Jones industrial average rose 1.20, or 0.01 percent, to 8,126.63. The Standard & Poor's 500 index fell 1.36, or 0.2 percent, to 863.94, while the Nasdaq composite index fell 8.55, or 0.5 percent, to 1,661.89.

There has been a growing sense on Wall Street that the economy is starting to stabilize. But investors are looking to first-quarter earnings reports for confirmation that business conditions are in fact improving.

Much of the market's recent optimism has been fed by hopes that the banking industry in particular is beginning to heal. Most investors believe a healthy financial system is critical to an economic recovery.

Wells Fargo & Co., Goldman Sachs Group Inc. and JPMorgan Chase & Co. have all reported profits that surpassed expectations. Historically low interest rates and a spike in mortgage refinancing business have been a boon for the major banks. But investors are worried that these benefits are only temporary and that still rising loan losses could hamper results going forward.

"I think the response is guarded," said Joseph Tatusko, chief investment officer at Westport Resources Management. "There are waves of defaults and credit issues that have yet to come on shore."

Two other big banks, Bank of America Corp. and Morgan Stanley, will report results next week.

Other earnings reports Friday weren't as positive. Mattel Inc., the largest U.S. toymaker, said weak overseas sales and cautious retailer orders led to a wider first-quarter loss than expected. Mobile phone maker Sony Ericsson posted a $387 million loss and said it would cut an additional 2,000 jobs. And Toshiba Corp., Japan's top chipmaker, warned that its loss for the last fiscal year will be bigger than previously expected.

Investors have been extremely cautious this week, mindful of how worse-than-expected reports could easily send the market reeling and upset an advance that has pulled stocks from 12-year lows. Since March 9, the Dow has risen 24 percent; the S&P 500 is up 28 percent; and the Nasdaq is up 32 percent.

Stocks dipped earlier this week on poor retail sales and an unexpected drop in wholesale prices, but encouraging earnings reports have helped the market snap back. On Thursday, stocks closed at their highest level in more than two months as investors were heartened by better-than-expected reports from JPMorgan and Nokia Corp.

In other trading, the Russell 2000 index of smaller companies fell 2.95, or 0.6 percent, to 470.93.

Declining issues just narrowly outpaced advancers on the New York Stock Exchange where volume came to 444.7 million shares.

Bond prices dipped early Friday. The yield on the benchmark 10-year Treasury note, which moves opposite its price, rose to 2.88 percent from 2.83 percent late Thursday.

The dollar rose against other major currencies, while gold prices fell.

Light, sweet crude added 97 cents to $50.95 a barrel on the New York Mercantile Exchange.

Overseas, Japan's Nikkei stock average rose 1.7 percent. In afternoon trading, Britain's FTSE 100 was up 1.0 percent, Germany's DAX index was up 0.9 percent, and France's CAC-40 was up 1.7 percent.