

WALL STREET

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US stocks pare losses to end the session and the week flat

US stocks pared initial losses to close Friday - and the week - flat after a roller-coaster ride in an earnings season.

After a lowly start that even a few record-breaking openers for blue-chips could not jazz up, the market drifted for most of the session before inching to unchanged.

The S&P 500 market bellwether ended the session at 2141 and only 9 points above where it had begun the week. It was also just 90 points above where it was a year ago.

The S&P Midcap 400 end softer, by 0.1% at 1526. It too had a lackluster week given as it was only 4 points higher than where it had begun the week.

The S&P Smallcap 600 finished down the most on the day, by 0.3% at 733. That too only advanced three points on the see-saw week.

But something upbeat to see us into the weekend.

After a strong start to earnings season, large US companies are now tipped to post profit growth for the first time in five quarters, halting the longest decline since the 2008 financial crisis. But many market watchers are already looking towards the future.

Earnings of companies listed on the S&P 500 index are expected to rise by 0.63% from the same period in 2015 — an improvement from the 1% decline projected before the earnings season kicked off.

Early trading

US stocks opened lower on Friday after oil prices fell sharply immediately ahead of the bell and as earnings offered positive-to-mixed results from majors.

The S&P 500 market bellwether was down 0.3% at 2134, having opened just over 0.4% lower.

The West Texas Intermediate US oil benchmark was last seen firmer by 0.1% at \$50.68 - but earlier it swung 80 cents lower in a volatile pattern this session.

Reynolds American (NYSE:RAI) was still the leader of the risers on the S&P 500, up 16.1% at \$54.76 after British American Tobacco made a takeover overture which the US company said it would consider but demanded BAT ups its premium while PayPal (NASDAQ:PYPL) was second after its earnings report, with a 7.2% rise to \$54.76.

Reynolds shares opened at its intraday high of \$56.65 - which was also a record-high level for the stock.

Meanwhile, Microsoft (NASDAQ:MSFT) which reported earnings also made history, striking a record high of \$60.45. It was the first time the stock had scaled \$60.

Also bucking the trend was fast-food restaurant chain McDonalds (NYSE:MCD) up 2.5% to \$133.30 after posting strong third quarter earnings.

Share Information

MarketTopic Synopsis:

A look at the US markets.

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But the laggards were led by ratings agency Moody's (NYSE:MCO) down 4.3% to \$103.47 following its third quarter earnings. Although the company is not at risk of its own downgrade - both earnings and revenue beat analysts' expectations - the stock headed south after reports that the US Department of Justice which is currently demanding Deutsche Bank pays a fine for its activities back in 2008, is preparing a civil complaint against Moody's, alleging violations of federal law in the run-up to the financial crisis.

The complaint alleges Moody's violated the Financial Institutions Reform, Recovery and Enforcement Act while rating residential mortgage-backed securities and collateralized debt obligations.

Moody's has periodically received subpoenas and inquiries from government authorities, including the Department of Justice, over its handling of the mortgage bonds before the global credit crisis of 2008.

Meanwhile, the S&P Midcap 400 was down 0.3% to 1522 and led by Skechers U.S.A. (NYSE:SKX) down 17.5% to \$18.93 after missing its third-quarter earnings targets. Similarly for second-placed loser, Advanced Micro Devices (NASDAQ:AMD) down 5.2% to \$6.60.

The S&P Smallcap 600 was down 0.5% at 732 and led by First Nbc Bank (NASDAQ:FNBC) down 12.7% to \$7.90.

Pre-Open

US stocks are indicated opening down on Friday in spite of a deluge of sound earnings overnight and a tobacco takeover, as traders anticipated possible rate comments from Federal Reserve speakers.

Fed Governor Daniel Tarullo is set to speak at the Columbia Law School Conference in New York at 10:15 a.m. ET. (1415 GMT). San Francisco Fed President John Williams is due to speak at 2:30 p.m. ET at the Federal Home Loan Bank's Member Conference in San Francisco.

Markets remain uncertain - mostly because of the November White House election campaign - whether the Federal Reserve will hike rates in December or leave it until 2017 after chair Janet Yellen last week opined that leaving rates on hold in times of crisis was acceptable.

The S&P 500 market bellwether was expected to open around 0.4% lower on Friday.

Which is a shame, because the hard facts of the corporate start to the day look rosey and even oil was firmer. The West Texas Intermediate, the US benchmark, was up 0.2% at \$50.73.

Shares in Reynolds American Inc (NYSE:RAI) are lighting up in pre-market trade, jumping 16 per cent, after British American Tobacco (LON:BATS) made an unsolicited \$47bn offer to take full control of the US tobacco heavyweight.

The shares are up 20.4% at \$56.77 pre-market, putting them on course to open at a record high.

Talking of records, Microsoft (NASDAQ:MSFT) may just deliver one too.

Shares in Microsoft and PayPal (NASDAQ:PYPL) are powering higher in premarket trading after both companies reported well-received earnings after the bell on Thursday.

Microsoft shares are set to hit an all-time high when trading opens, surpassing the \$60 mark for the first time ever and exceeding a previous high set during the dot-com boom in 1999. MSFT shares were last seen up 5.9% at \$60.64 and PayPal up 4.8% to \$42.

General Electric (NYSE:GE), the largest US manufacturer, has reported earnings for the third quarter that were better than expected. Underlying earnings per share were 32 cents for the three months to September, up 10 per cent from the equivalent period of 2015, and higher than the average of analysts' forecasts, which was 30 cents.

Alas, shares traded 1.7% lower at \$28.58 pre-market.

McDonald's (NYSE:MCD) reported third quarter earnings that were hot rather than tepid. The burger chain said comparable sales, a key sales metric, rose for the fifth straight quarter, helped by the company's all-day breakfast offering and healthier food options that lifted its US business.

The Illinois-based company said global like-for-like sales rose 3.5% in the third quarter. That was above analysts' forecasts of 1.5% growth.

The big Mac's shares were up 3.2% at \$114.15 pre-market.

Even besieged German lender Deutsche Bank had something to cheer about.

In Europe, shares in Deutsche Bank have risen above €13.10 for the first time since the US Department of Justice asked it to pay a \$14bn fine, as fears subside about the German lender's future. It follows reports by the Financial Times last week that the bank was given special treatment in EU stress tests over the summer. The suggestion the European Central Bank would take action to help major banks actually helped Deutsche's share price recovery.

But that doesn't mean the DoJ will be charitable when it determines any revision to its fine of Deutsche Bank. Its US listing (NYSE:DB) showed down 1.4% at \$14.17.

Perhaps the day's only fly in the ointment so far was Honeywell (NYSE:HON).

The US industrial conglomerate said profits slid in the third quarter due to a continued slump in its aerospace business but investors breathed a sigh of relief as the company met its lowered expectations for revenue and earnings.

Earnings per share were \$1.60 in the third quarter, in line with the downward-revised projection Honeywell unveiled a few weeks earlier and consistent with analysts' predictions.

Still, even its shares were up, by 0.3% to \$108.50.

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