U.S. Stocks Decline Amid Concern About Japanese Economy After Earthquake

U.S. stocks fell, sending the Standard & Poor's 500 Index to the lowest level since January, as investors struggled to assess how much damage Japan's worst earthquake on record will do to the global economy.

General Electric Co. (GE) tumbled 4.1 percent as Japan worked to contain radiation at a damaged nuclear plant, compelling other nations to review atomic energy plans. Coach Inc. and Tiffany & Co. sank at least 5.6 percent on concern Japan sales will suffer. Las Vegas Sands Corp. (LVS), the casino company with most of its business in Asia, lost 4.9 percent as Jefferies & Co. cut its rating on the stock. MEMC Electronic Materials Inc. (WFR) surged 13 percent on bets demand for alternative energy will grow.

The S&P 500 fell 1.1 percent to 1,290.17 at 1:27 p.m. in New York, dropping for a third time in four days. The Dow Jones Industrial Average sank 116.14 points, or 1 percent, to 11,928.26. The Nikkei 225 Stock Average plunged 6.2 percent and the iShares MSCI Japan Index Fund (EWJ), a U.S. exchange-traded fund, tumbled 8 percent, the biggest drops since 2008 for both.

"The market is pricing in a better understanding of the enormity and complexity of the natural disasters that struck Japan," said Mohamed El-Erian, chief executive officer at Newport Beach, California-based Pacific Investment Management Co. "The immediate impact will be felt through lower global aggregate demand, disrupted supply chains, and funds flows into Japan."

Retreat From 2011 High

U.S. stocks fell last week, sending the S&P 500 down 1.3 percent, after American and Chinese reports damped optimism about the global economy. The benchmark gauge of U.S. stocks is down 3.9 percent from its 32-month high in February, while still more than 90 above its bear-market low in 2009.

The selloff in Japan spread to Europe and the Americas as workers battled to contain radiation at a damaged nuclear plant north of Tokyo following a second blast. No large release of radiation was detected after the explosion, which didn't breach the reactor and followed a build-up of hydrogen gas, Chief Cabinet Secretary Yukio Edano told reporters in Tokyo today. The risk of a large leak is very small, he said.

The Bank of Japan poured a record amount of cash into the financial system and doubled the size of its asset-purchase plan. The central bank pumped 15 trillion yen ($183 billion) into money markets today. Governor Masaaki Shirakawa and his board enlarged a program buying assets from government bonds to exchange-traded funds by 5 trillion yen, about one-tenth the size of the Federal Reserve's quantitative easing.

'Further Weakness'

"The Japanese earthquake has the potential to prompt further weakness in stock prices," said David Sowerby, a Bloomfield Hills, Michigan-based money manager at Loomis Sayles & Co., which oversees $150 billion. "While you'll see the Bank of Japan provide intense liquidity and economic activity increase due to rebuilding, there's a lot of uncertainty. Still, if we have a 3 percent to 5 percent correction in stocks, we'd likely look at what's attractively priced."

General Electric declined 4.1 percent, the most in the Dow average, to $19.52.

The potential meltdown at a nuclear plant struck by Japan's record temblor may be "a big dampener" on India's program, Shreyans Kumar Jain, chairman of the Nuclear Power Corp. of India, said in Mumbai. The accident may become a factor in the drafting of China's energy plans, Xie Zhenhua, vice chairman of the National Development and Reform Commission, said in Beijing. Germany will suspend a planned extension of the lifespan of nuclear plants pending the outcome of an inquiry into their safety, Chancellor Angela Merkel said.

No Change

GE, which is talks to sell reactors to India, won't change its plans for the country after the Japan accident, Chief Executive Officer Jeffrey Immelt said today. Immelt expects the company's Indian operations to grow 30 percent this year.

Uranium stocks slumped on concern demand will slow after the Japan accidents. U.S. shares of Canada's Denison Mines Corp. (DML) plunged 25 percent to $2.46. Entergy Corp. (ETR) declined 5.4 percent to $69.75. The operator of nuclear power plants was cut to "market perform" from "outperform" by BMO Capital Markets.

Las Vegas Sands slid 4.9 percent to $38.11 after Jefferies cut its recommendation for the shares to "hold" from "buy." The 12-month share-price estimate is $45.

Qualcomm Inc. (QCOM), the world's biggest maker of mobile-phone chips, dropped 0.9 percent to $53.14. Cisco Systems Inc. (CSCO), the largest provider of networking equipment, lost 1.1 percent to $17.75. The communications-equipment industry may be hurt temporarily by the earthquake, analyst Ittai Kidron at Oppenheimer & Co. wrote in a note dated yesterday, as supplies from Japanese component makers are cut and networking spending drops in the near term.

'Focused on Recovery'

“While supply-chain hurdles are likely to be mitigated in a short time, and network spend could rise later on, Japan’s government spending could be impaired for some time as budgets are focused on recovery,” the analyst wrote.

Solar stocks rallied amid investors’ expectations that the companies may benefit as demand for alternative energy grows. MEMC Electronic Materials, the maker of wafers for the semiconductor and solar industries, advanced 13 percent to $13.62, the biggest gain in the S&P 500. First Solar Inc. (FSLR) increased 4.8 percent to $146.48.

Consol Energy Inc. (CNX) gained 3 percent to $50.05. The coal and natural gas producer led other U.S. coal companies higher on expectations that the shutdown of Japanese nuclear reactors will lead to more coal use.

Lubrizol Rallies

Lubrizol Corp. (LZ) soared 27 percent to $134.29. Warren Buffett’s Berkshire Hathaway Inc. (BRK/A) agreed to buy the largest producer of lubricant additives for about $9 billion in the company’s second-biggest acquisition in the past five years.

Pfizer Inc. (PFE) jumped 1.6 percent, the most in the Dow, to $19.79. The world’s biggest drugmaker is reviewing the sale or spinoff of business units that may shrink the company’s revenue by almost half, said Tim Anderson, an analyst with Sanford C. Bernstein & Co. Pfizer would split off four non-pharmaceutical businesses as well as other units to reduce annual revenue to $35 billion to $40 billion from $67 billion, Anderson said in a research report today, citing a meeting with Chief Executive Officer Ian Read.

U.S. industrial production probably rose in February for a third month in the last four, indicating manufacturing remains a stalwart of the expansion, economists said before a report this week. Output at factories, mines and utilities climbed 0.6 percent after a 0.1 percent decrease in January, according to the median forecast in a Bloomberg News survey ahead of Federal Reserve figures on March 17. Other data may show less home construction and contained inflation excluding food and fuel.