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Oil Concerns Continue to Drive Shares Lower

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Stock indexes closed lower on Monday, driven by oil prices and a sovereign debt downgrade.

The markets had started the day higher, buoyed by deal news. LVMH Moët Hennessy Louis Vuitton, the French luxury conglomerate, said Monday that it would take control of the watchmaker Bulgari, adding another high-end brand to its formidable stable, in a deal worth $5.2 billion. In a second deal, the hard-drive maker Western Digital said that it would buy Hitachi Global Storage Technologies for $4.3 billion.

But later in the day, Wells Fargo reduced its recommendation on chip makers, sending many technology shares lower. Intel slid 1.6 percent, to $21.21, while JDS Uniphase fell 6.9 percent, to $25.49.

Attention again focused on uncertainty in the Middle East. Investors worried that oil prices could rise more if unrest spreads to other major oil-producing countries like Saudi Arabia.

The Dow Jones industrial average fell 79.85 points, or 0.66 percent, to 12,090.03. The Standard & Poor’s 500-stock index declined 11.02 points, or 0.83 percent, to 1,310.13, and the Nasdaq composite index lost 39.04 points, or 1.4 percent, to close at 2,745.63.
In Europe, the FTSE 100 index in London was down 0.28 percent and the Euro Stoxx 50 index, a barometer of euro zone blue chips, fell 0.59 percent. The DAX in Frankfurt lost 0.24 percent, while the CAC 40 in Paris was down 0.74 percent.

Moody’s Investors Service cut its credit rating on Greece’s government debt by three notches, taking the securities deeper into junk territory, and said the outlook was negative.

In downgrading Greece’s debt, Moody’s warned that Athens would have difficulty fulfilling its promises to overhaul its finances and might have to restructure debt.
Moody’s acted days before a meeting Friday of euro zone heads of state, who will discuss

proposals by the European Council president, Herman Van Rompuy, to improve economic policy coordination. Gary Baker, an equity strategist at Bank of America Securities Merrill Lynch in London, said the meeting of euro zone officials on Friday was unlikely to yield any major developments but would instead be a chance for governments to look for a way to reach a comprehensive solution to the currency area's problems at meetings on March 24 and 25.

The euro fell to $1.3967 from $1.3987 late Friday, bolstered by expectations that the European Central Bank will raise its benchmark interest rate next month, a move that would make short-term European assets more attractive to money managers.
In the energy sector, the price for crude oil has been rising steadily since unrest erupted in northern Africa and the Middle East. On Monday, the price of benchmark crude for April delivery in New York trading was just above $105 a barrel after spiking near $107 a barrel in electronic trading.

On the New York Mercantile Exchange, oil settled at $105.44, rising 1.02 percent.
"The market is going to have to sort out what's fact and what's rumor," Quincy Krosby, chief marketing strategist for Prudential Financial, told The Associated Press. "They are saying, 'how high can the prices go, and more importantly for how long.' "
In the United States, the increase in oil has pushed the average price of gasoline above $3.50 a gallon, up almost 12 percent in the last month, according to the AAA's Daily Fuel Gauge Report.

Bernard Baumohl, the chief global economist for the Economic Outlook Group, said gas prices exceeding $4 a gallon would hurt the American economy.
"We are looking at $4.25, and remaining there for a minimum of two months, and oil prices sticking above $135 for two months," he said. At that point, "households will be so squeezed in their finances, and businesses will also reach a point where they, too, will begin to cut back on spending in anticipation of the economy really going to get hit."
Over the weekend, the Obama administration said that it was considering tapping the Strategic Petroleum Reserve in response to rapidly rising gasoline prices.
Interest rates were a little higher. The Treasury's 10-year note fell 7/32, to 100 29/32, and the yield rose to 3.51 percent, from 3.49 percent late Friday.

Christine Hauser contributed reporting.