



# Wall Street slips as investors seek cliff progress

By Ryan Vlastelica

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NEW YORK (Reuters) - Stocks finished slightly lower in a quiet session on Tuesday as the back-and-forth wrangling over the "fiscal cliff" gave investors little reason to act.

Trading volume was light as legislators continue to negotiate a deal to avoid a \$600 billion package of tax hikes and federal spending cuts that would begin January 1 and could push the economy into recession.

Just 5.86 billion shares changed hands on the New York Stock Exchange, the Nasdaq and the NYSE MKT, below the year's daily average of 6.48 billion shares. A key measure of investor anxiety has remained muted. The CBOE Volatility Index or VIX, a gauge of market anxiety, was at 17.12, up 2.9 percent. It has not traded above 20 since July.

Optimism for progress was dented after remarks by President Barack Obama, who rejected a Republican proposal to resolve the crisis as "out of balance" and said any deal must include a rise in income tax rates on the wealthiest Americans.

"People don't know if what's going on is political posturing or real negotiations that represent progress," said **Bernard Baumohl, managing director and chief global economist at the Economic Outlook Group** in Princeton, New Jersey.

Expectations of higher taxes on dividends beginning in 2013 have pushed many companies to pay special dividends this year or advance their next payback to investors. Coach became the latest to move up the date of its next dividend

payment, and the news lifted shares of the upscale leather-goods maker earlier in the session. By the close, though, Coach was down 1.2 percent at \$57.52.

One of the S&P 500's top sectors for the day was health care considered a defensive group.

The Dow Jones industrial average fell 13.82 points, or 0.11 percent, to 12,951.78 at the close. The Standard & Poor's 500 Index dipped 2.41 points, or 0.17 percent, to 1,407.05. The Nasdaq Composite Index shed 5.51 points, or 0.18 percent, to close at 2,996.69.

The market has been sensitive to rhetoric from Washington, as a failure to reach an agreement could send the U.S. economy back into recession. Still, many expect a resolution to be found, which could extend the S&P 500's rally of 12 percent so far this year.

Differences within the Republican Party came to the fore on Tuesday as one senator opposed to raising taxes lashed out at Republican House Speaker John Boehner for proposing to increase revenue by closing some tax loopholes.

Congressional Republicans recently proposed steep spending cuts to bring down the budget deficit, but gave no ground on Obama's call to raise tax rates on the rich. The proposal was quickly dismissed by the White House.

"We're on hold trying to figure it out, but investors are stressed since they have to make decisions soon about how to proceed with their investments if taxes are indeed going up. We could see a real pick-up in volume over the next week or so," **Baumohl** said.

Netflix Inc was the S&P 500's top percentage gainer, advancing 14 percent to \$86.65 after Walt Disney Co agreed to give the company exclusive TV distribution rights to its movies, starting in 2016.

Intel Corp shares rose 2.2 percent to \$19.97 after the top chipmaker sold \$6 billion in bonds to fund stock buybacks and other business activities.

Darden Restaurants Inc shares plunged 9.6 percent to \$47.40 as the S&P 500's worst performer after the company warned that its latest quarter would miss expectations after unsuccessful promotions led to a decline in sales at its Olive Garden, Red Lobster and LongHorn Steakhouse chains.

In contrast, Big Lots Inc surged 11.5 percent to \$31.27 after the close-out retailer posted a smaller-than-expected loss and boosted its full-year adjusted earnings forecast.

MetroPCS Communications shares tumbled 7.5 percent to \$9.96 after Sprint

Nextel appeared unlikely to make a counter-offer for the wireless service provider.

Almost half of the stocks traded on the New York Stock Exchange closed lower, while 50 percent of Nasdaq-listed shares closed in negative territory.

After the closing bell, Pandora Media Inc shares plunged 23 percent after the company reported its third-quarter results.

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