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MARKETBEAT

# Figuring Out the Fed; Natural Gas Goes Nuts

March 2, 2006 2:11 p.m.

*MarketBeat is a new WSJ.com feature, updated throughout the day, that will survey and analyze the financial markets. It will be led by David Gaffen and will include contributions from The Wall Street Journal and Online Journal staffs. Send suggestions and comments to us at [marketbeat@wsj.com](mailto:marketbeat@wsj.com).*

## One More Increase, Yes. Two? Ask Me Later

**1:46 p.m.:** Amid rumors of rate increases in Japan -- and actual increases in Europe -- speculation about how far the Federal Reserve is going to raise rates is as hot as ever. At 4.5%, most agree the Fed is close to stopping. The \$20,000 question is how soon? Kent Engleke, capital markets strategist at Anderson & Strudwick, says an increase at the Fed's March 28 meeting is a virtual lock (a 98% chance, according to fed-funds futures contracts), but the odds of another at the May meeting have declined. They've slipped to 75% from 82% a week ago, the analyst said in a morning note. There's also the possibility of the June meeting, too, but David Altig, vice president at the Federal Reserve Bank of Cleveland, [wrote in his blog yesterday](#) that as far as June, "the market is more with the 'it's possible' group -- for now."

--Scott Patterson

\* \* \*

## Investors Return Retail Purchases

**12:55 p.m.:** Data from the nation's retailers has the market [in a sour mood](#), as the Dow has dipped 62 points to 10991, and other major indexes are lower as well. Among the biggest losers are [Sharper Image](#) Corp., down 14.4%, [Chico's FAS](#) Inc., down 13.5%, and [Abercrombie & Fitch](#) Co., off 12%. All three have been handed analyst downgrades. Analysts

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## TODAY'S MARKETS

2:11 p.m. EST

### STOCKS

### LAST CHANGE

### %CHANGE

Dow Jones Industrials	11005.98	-47.55	-0.43
S&P 500	1285.60	-5.64	-0.44
Nasdaq Composite	2303.47	-11.17	-0.48
Russell 2000	736.19	-6.16	-0.83

### COMMODITIES

### LAST

### CHANGE

Gold, April (\$ per ounce)	571.40	1.00
Oil, April Light Crude(\$/bbl.)	62.95	0.98

### TREASURYS

### YIELD

### CHANGE

10-Year Note	4.6460	-0.46875
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### CURRENCIES

### LAST

### PRIOR DAY

Yen (per dollar)	115.9000	116.12
Euro (in dollars)	1.2019	1.1914

Source: Reuters and Dow Jones

Note: Closing quotes are preliminary

For more data, visit the [Markets Data Center](#).

\* At close

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at Lazard Capital Markets noted that while overall same-store sales for a group of 13 retailers it follows came in at 3%, in line with expectations, "half of the retailers missed already-reduced Street expectations. Unless you were a West Coast concentrated retailer benefiting from favorable weather trends... February was very cruel indeed."

--David A. Gaffen

\* \* \*

## Blog Roll, Morning Edition

**11:47 a.m.:** With Thursday having started out poorly, longtime trader Victor Niederhoffer is [lamenting](#) Wednesday's decline on his Daily Speculations blog. He's particularly bemoaning his allocation of "too much of capital to a certain search engine stock powered by executives too smart by 4/5ths." He leads off in an uplifting manner, noting that "I am one of those people who, although having traded continuously for some 10,000 consecutive days, has never had a satisfactory one."

The emotion he and others express when trading is something [brain scientists](#) are trying to study these days. George Gutowski, the Financial Skeptic, thinks it is worth trying to understand. "Neuro-finance is gaining traction. Investors now accept that emotion and behavior are integral components of stock-market activity," he [writes](#). "This represents a radical departure from the efficient market school that claimed all market activity was based on rational pricing."

--David A. Gaffen

\* \* \*

## Natural Gas: The New Momentum Stock



**10:56 a.m.:** Natural-gas prices on the New York Mercantile Exchange are up 2% after the Energy Department reported a larger-than-expected decline in supplies. But this rally could mean little, because the commodity has traded more like a biotechnology stock lately, with wide intraday swings and frequent reversals. In February, there were seven days when natural-gas prices rose or fell more than 4% (compared with zero for crude oil futures). The contract lost 28% of

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## ABOUT MARKETBEAT

MarketBeat looks under the hood of Wall Street each day, finding market-moving news and analyzing interesting trends and numbers. The column is updated several times daily with contributions from reporters at The Wall Street Journal and the Online Journal, and includes noteworthy commentary from the best blogs and research notes. Market Beat is edited by David Gaffen. Send in your thoughts and suggestions at [marketbeat@wsj.com](mailto:marketbeat@wsj.com).



## COMPANIES

Dow Jones, Reuters

### [Sharper Image Corp. \(SHRP\)](#)

PRICE	10.02
CHANGE	-1.64
	2:05p.m.

### [Chico's Fas Inc. \(CHS\)](#)

PRICE	41.04
CHANGE	-6.72
	2:01p.m.

### [Abercrombie & Fitch Co. \(ANF\)](#)

PRICE	60.34
CHANGE	-6.91
	2:01p.m.

### [Google Inc. Cl A \(GOOG\)](#)

PRICE	379.77
CHANGE	14.97
	2:06p.m.

### [Sharper Image Corp. \(SHRP\)](#)

PRICE	10.02
CHANGE	-1.64
	2:05p.m.

### [Abercrombie & Fitch Co. \(ANF\)](#)

PRICE	60.34
CHANGE	-6.91
	2:01p.m.

### [Costco Wholesale Corp. \(COST\)](#)

PRICE	52.90
CHANGE	0.71
	2:06p.m.

\* At Market Close

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its value that month after a 17% decline in January. August saw natural gas rise nearly 46%, and that was followed up by a 21% gain in September. This isn't going to end, says Phil Flynn, senior market analyst at Alaron Trading. The increased usage of natural gas for generating electrical power has made it a more important commodity, and as this year's hurricane season rolls around, the memory of Katrina will keep things unsteady. "The natural gas market has been a weather market of extremes," Mr. Flynn said. "Probably this summer, [moves] will be magnified even more."

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--David A. Gaffen

\* \* \*

### The European Connection



**Jean-Claude Trichet**

**10:09 a.m.:** The dollar slumped after European Central Bank president Jean-Claude Trichet said there were more upside risks to price stability, and that interest rates "remain at very low levels." The statement came after the ECB raised short-term interest rates by a quarter point to 2.50%, as expected. Lately the euro rose to \$1.1953 against the dollar, up from \$1.1914 yesterday. Global bond yields are all rising today, pushing up yields in the U.S. in tandem. The 10-year yield on the German bond rose to 3.56% from 3.51%, while the 10-year U.S. Treasury yield rose to 4.61% from 4.59%. The premium in U.S. yields is one of the few things keeping the dollar from weakening considerably, says Axel Merk, manager of the Merk Hard Currency Fund, but he warns that more weakness could be in store for the greenback. That's because, he says, "the perception is that Europe is going to continue to raise rates, and in the U.S., the perception is that the Fed is just about done."

--David A. Gaffen

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### A Google and Pony Show

**9:17 a.m.:** This year's analyst day for [Google](#) Inc. isn't expected to be quite the love-fest that the previous one was. Kevin Delaney and Greg Zuckerman [report today](#) that the "stock has entered a new era, in which shareholders are... raising questions about its business risks and tight-lipped approach to strategy and earnings." Investors were content to let the Google folks talk up their disdain for short-term forecasts back in 2005, when the stock's chart was a stairway to heaven. But the stock's volatility has grown worrisome -- shares fell 7% Tuesday after the finance chief commented about slowing growth, a reaction that puzzled some analysts. "We believe comments made...were likely not intended to reset investors' expectations about growth prospects," Oppenheimer analysts wrote earlier this week. Nonetheless, the stock is down 12% on the year, and analysts will be waiting for the kind of clarity that the company has eschewed in the past.

--David A. Gaffen

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### Discounting the Retailers

**8:25 a.m.:** Pre-market activity suggests a drop at the open for stocks, and the retailers are the

ones to watch in the early going. The retail sales market was mixed in February. After [Sharper Image Corp.](#) reported a 31% decline in same-store sales in February, that stock is getting hammered in pre-market action, losing 6.5%, according to Inet. Other stocks getting hurt include [Abercrombie & Fitch](#), also falling 6%, but on less volume than Sharper Image, after reporting a 5% increase in same-store sales. [CostCo Wholesale Corp.](#) posted strong growth, and that stock was barely changed. [Bebe's Stores Inc.](#) fell 1.7% in pre-market action after reporting a 1.6% increase in same-store sales.

--David A. Gaffen

- **Wednesday:** Monthly Affirmation With Bill Gross
- **Tuesday:** The Word on Google
- **Monday:** Housing, Chapter Three

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