Positive jobs report fails to lift stocks

The Associated Press

The stock market offered a reminder Friday that even if the U.S. job market is improving, there's plenty to worry about elsewhere in the world.

The unemployment rate fell in December to 8.5 percent, the lowest level in nearly three years. Yet stock indexes teetered between small gains and losses all day as traders fretted about Europe's ongoing financial drama.

Italy's borrowing costs spiked to dangerously high levels and the euro fell to a 16-month low against the dollar. U.S. bank stocks fell on concerns that the debt crisis will spread through the financial industry.

The Dow Jones industrial average ended down nearly 56 points and the S&P had a tiny loss, its first of the year. Both gained more than 1 percent over the first week of 2012.

Most European markets closed lower after new data showed economic sentiment and retail sales falling across the region. Unemployment is stuck at 10.3 percent in the 17 nations that use the euro.

Europe's debt woes and China's slowing economy are overshadowing signs of strength in the U.S. economy, said Doug Cote, chief market strategist at ING Investment Management.

"The global risks continue to exert their weight," Cote said. Ultimately, improving U.S. stronger consumer demand, manufacturing activity and corporate profits will drive U.S. stocks higher, Cote said.

The Dow Jones industrial average fell 55.78 points, or 0.5 percent, to 12,359.92. Alcoa Inc. was the Dow's biggest loser, slipping 2.1 percent. A Citi analyst forecast that the aluminum maker lost money in the fourth quarter of 2011 for the first time since the recession. Alcoa, which reports earnings Monday, said late Thursday it would close an aluminum smelter in Tennessee and other operations to cut costs.

The latest sign that the labor market is strengthening failed to spur buying by investors. The unemployment rate fell last month to 8.5 percent, while U.S. employers added a net 200,000 jobs, the Labor Department said.

The economy has generated 100,000 or more jobs each month for the past six, the longest such streak since April 2006. The number of people applying for unemployment benefits last week fell, pushing the four-week average of new claims down to its lowest level since June 2008.

In other trading, the Standard & Poor's 500 index fell 3.25 points, or 0.3 percent, to

1,277.81. The Nasdaq composite index rose 4.36, or 0.2 percent, to 2,674.22.

It was the second day in a row of indecisive trading on the stock market. The Dow and the S&P closed nearly unchanged Thursday. The indexes still had strong gains in this first, shortened trading week of the year. The Dow is up 1.2 percent this week, the S&P 1.6 percent. Trading was closed Monday, when the New Year's Day holiday was observed.

The euro fell as low as $1.2696 Friday, its lowest point since Sept. 10, 2010. The yield on the 10-year Treasury note fell to 1.97 percent from 2 percent late Thursday as investors put money into low-risk investments. Bond yields fall when demand for them increases.

Italy is now paying 7.09 percent to borrow for 10 years, reflecting investors' fears that the nation might default. Ireland and Portugal were forced to take bailouts when their ten-year borrowing rates rose above 7 percent.

Unlike those nations, Italy is too big for the rest of Europe to bail out. Leaders of France and Italy met in Paris on Friday to discuss the spiraling debt crisis that threatens to engulf both nations and push much of the region into recession.

In corporate news:

— Family Dollar Stores Inc. plunged 7.5 percent, the most in the S&P 500, after reporting revenue that was less than Wall Street expected.

— Dendreon Corp. jumped 16.3 percent after the drug developer said sales of its prostate-cancer therapy Provenge kept growing in the fourth quarter. Sales of the drug jumped 25 percent over the previous quarter.

— Global Payments Inc. fell 3.4 percent after the processor of credit, debit and gift card payments reported earnings that fell short of analysts' expectations. Janney Capital Markets analyst Thomas McCrohan said prospects for a sustained increased in profit margins "remain fleeting."

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