



## Microsoft earnings may boost stocks

The Dow finishes up 108 on gains in tech and energy stocks, and Microsoft's strong second-quarter results should give investors more confidence on Friday. The median price of a home fell in 2007 for the

Wall Street sees a strong opening for stocks on Friday after software giant **Microsoft** ([MSFT](#), [news](#), [msgs](#)) easily beat analyst estimates for second-quarter profits.

In after-hours trading, Microsoft shares were up 4.5% to \$34.75 after rising 4.1% to \$33.25 in regular trading. (Microsoft is the publisher of MSN Money.)

Microsoft was part of a broad tech rally and, along with energy and metals stocks, helped the **Dow Jones industrials** to a 108-point gain, 0.9%, to 12,379. The **Nasdaq Composite Index** was up 45 points, or 1.9%, to 2,361, and the **Standard & Poor's 500 Index** was up 13 points, or 1%, to 1,352.

An additional boost to the market came from news that Congress and the Bush administration had agreed to a \$150 billion stimulus plan.

The Dow's gain was its second in two days, and futures trading suggests the Dow could open with a 50-point gain.

Today's gain came after Wednesday's wild day of trading that saw the index swung 625 points from its low on the day to finish with a 299-point gain.

But the gains mark only a modest dent in the carnage the market has endured in January. The Dow was down nearly 9.8% for the month after Tuesday's close, its fifth-consecutive down day.

The blue-chip index is still down 6.7% for the month and down 12.6% from its closing peak of 14,164.53 on Oct. 9. If the blue-chip index were to finish the month at its current level, the loss would be its fifth worst for a January since 1928.

The S&P 500 is still off about 8% this month, and the Nasdaq is down 11%. The indexes are down 13.6% and 17.4% from their peaks in October, respectively.

### **A good holiday season boosts Microsoft**

The software maker reported a 79% increase in net income for its fiscal second quarter and boosted its guidance for the third quarter.

Microsoft reported bumper quarterly sales of its Windows Vista operating system and Office software and said anti-piracy efforts were improving results at an above-average rate. "It's clear that this new product cycle is paying off," said Andy Miedler, technology analyst at Edward Jones.

The company said it earned \$4.7 billion, or 50 cents a share, in the quarter on revenue of \$16.4 billion. That was up from \$2.6 billion, or 26 cents a share, a year ago on revenue of \$12.5 billion.

Wall Street had expected earnings of 46 cents on revenue of \$15.94 billion.

Microsoft said its Windows business has grown more than 20% on average since the Windows Vista operating system became available. The company has sold more than 100 million Windows Vista licenses.

Microsoft's Business Division saw a 23% revenue gain on strong sales of new versions of its popular Office, Exchange and SharePoint products.

Sales of its Xbox 360 consoles reached 17.7 million units, up 70% from a year ago.

The company expects third-quarter revenue to range from \$14.3 billion to \$14.6 billion; Wall Street has been expecting \$14.4 billion. Earnings should be 43 cents to 45 cents. The consensus Wall Street estimate is for 46 cents.

In addition to Microsoft's gain, **Qualcomm** ([QCOM](#), [news](#), [msgs](#)), the second-largest maker of semiconductors in cell phones, jumped 10.3% to \$40.41 after reporting an 18% profit gain for its fiscal first quarter late Wednesday. The stock's gain added 8.8 points to the **Nasdaq-100** ([\\$NDX.X](#)) index, which finished the day up 37 points, or 2.1%, to 1,827.

**Symantec** ([SYMC](#), [news](#), [msgs](#)) closed up nearly 11% to \$16.93. **Dell Inc.** ([DELL](#), [news](#), [msgs](#)) added 4.8% to \$21.09.

**Google** ([GOOG](#), [news](#), [msgs](#)) shot up 4.7% to \$574.49. It was Google's first gain after nine straight losses. Its loss so far in January has been trimmed from 21% to 17%.

### **Stocks add to Wednesday's gains**

In addition to the good day enjoyed by tech stocks, the market was pushed higher by gains in energy and metals stocks as commodity prices moved higher. Crude oil jumped \$2.42 a barrel to \$89.41 in New York. Gold rose 2.6% to \$905.80 an ounce in New York trading.

**ExxonMobil's** ([XOM](#), [news](#), [msgs](#)) 3.1% gain to \$86 contributed 21 points to the Dow's gain, the most of any of the 30 Dow stocks. Aluminum giant **Alcoa** ([AA](#), [news](#), [msgs](#)) was the Dow leader for the day with a 5.6% gain to \$30.81.

Twenty Dow stocks were higher, along with 260 S&P 500 stocks and 63 Nasdaq-100 stocks.

Today's rally came on top of Wednesday's wild day of trading. The Dow swung about 625 points from the low of the day to a 299-point gain at the close.

It was the second biggest point swing in the Dow's history, following a 702-point swing on July 24, 2002.

### **Help is coming from Washington**

Congressional leaders announced a deal that that would give most tax filers refunds of \$600 to \$1,200, and more if they have children.

House Speaker Nancy Pelosi said Congress would act on the agreement -- hammered out in a week of intense negotiations with Republican Leader John Boehner and Treasury Secretary Henry Paulson -- "at the earliest date, so that those rebate checks will be in the mail."

The rebates will go to 117 million families, according to a Democratic summary. That includes \$28 billion in checks to 35 million working families who wouldn't have been helped by President Bush's original proposal, the analysis estimated.

Included in the deal was an agreement to raise both the limits on Federal Housing Administration loans and on home mortgages that **Fannie Mae** ([FNM](#), [news](#), [msgs](#)) and **Freddie Mac** ([FRE](#), [news](#), [msgs](#)) can purchase to as high as \$725,000 in high-cost areas. Those are considerable boosts over the current FHA limit of \$362,000 and the \$417,000 cap for Fannie Mae and Freddie Mac's loan purchases.

Fannie Mae and Freddie Mac buy loans from lenders and repackage them as securities sold to investors. The purchases enable lenders to make more loans.

Fannie Mae shares were down 1.7% to \$34.19 in regular trading but rebounded 0.6% to \$34.40 in after-hours trading. Freddie Mac fell 1.6% to \$32 but was up to \$32.20 in the after-hours market.

### **Existing-home sales and prices fall**

Existing-home sales slumped in December from November, and, for the first time since the 1930s, the national median price of a home fell for the year.

The National Association of Realtors this morning reported that sales fell 2.2% last month from the previous month, hitting an annual rate of 4.89 million. Sales fell 22% from 6.27 million in December 2006.

The median price of a home fell nearly 6% in December from a year earlier, to \$208,400.

But for the year as a whole, median price fell 1.4% to \$218,900 from \$221,900 in 2006. The group said this was the first drop nationally since the 1930s.

The association says the December median price was lower than the annual figure because home sales have slowed the most in higher-cost markets. Those declines have had a bigger effect on the monthly data compared with the annual data.

In related news, home builder **Lennar** ([LEN](#), [news](#), [msgs](#)) reported a wider fourth-quarter loss this morning. Lennar said it lost \$1.25 billion, or \$7.92 per share, worse than the loss of \$195.6 million, or \$1.24 per share, it reported in the same quarter a year ago.

"As we look ahead to 2008, we are not expecting market conditions to improve, and (they) perhaps might continue to decline in the near term," CEO Stuart Miller said in a statement.

Shares of Lennar shares jumped 6.6% to \$15.93 this afternoon. But other building shares were lower. **Pulte Homes** ([PHM](#), [news](#), [msgs](#)) was down 2% to \$12.85. **Ryland** ([RYL](#), [news](#), [msgs](#)) was down 2.2% to \$30.53. The **Philadelphia Housing Sector Index** ([\\$HGXX](#)) finished up 0.3% to 139.

### **Ford and AT&T disappoint**

The market's gains came despite Wall Street's unhappiness with earnings from **Ford** ([F](#), [news](#), [msgs](#)) and **AT&T** ([T](#), [news](#), [msgs](#)).

Ford shares were down 0.6% to \$6.26 after reporting a loss of \$2.8 billion for the fourth quarter, an improvement over a year ago when it lost \$5.6 billion or 2.98 a share. But the loss was still big and suggested the recovery for the U.S. auto makers would be slow at best.

Excluding items, Ford lost 19 cents a share, in line with the consensus estimate. For all of 2007, Ford lost \$2.7 billion; [in 2006, Ford lost a whopping \\$12.75 billion](#).

Revenue for the quarter rose to \$44.1 billion from \$40.3 billion a year ago.

**General Motors** ([GM](#), [news](#), [msgs](#)) shares were down 0.3% to \$25.62.

AT&T shares were down 2.6% to \$35.75. The telecom giant said fourth-quarter net income rose 62% thanks to its booming wireless-phone business and the year-ago acquisition of BellSouth. AT&T also reaffirmed its optimistic financial guidance for this year and beyond.

AT&T, which has the exclusive contract to carry **Apple's** ([AAPL](#), [news](#), [msgs](#)) iPhone in the United States, added nearly 2.7 million wireless subscribers, surpassing analyst expectations. Including its recent acquisition of Dobson Communications, AT&T ended the year with 70.1 million wireless customers.

But investors sold the stock in part because of worries that an economic slowdown could hurt the expansion of AT&T's wireless business.

### **United Technologies beats The Street**

Dow component **United Technologies** ([UTX](#), [news](#), [msgs](#)) had some good news today, and shares jumped 2.2% to \$72.56.

The company reported fourth-quarter earnings of \$1.06 billion, or \$1.08 per share, a 23% rise from the \$865 million, or 87 cents per share, it earned in the same period a year ago. Analysts were expecting earnings of \$1.06 per share.

The company reaffirmed its 2008 earnings forecast of between \$4.65 and \$4.85 per share, noting that 2008 could be a more difficult environment for the company. The consensus estimate is \$4.85 per share.

United Technologies' products range from Sikorsky helicopters to Otis elevators.

### **A rescue for bond insurers may take time**

Shares of bond insurers **MBIA** ([MBI](#), [news](#), [msgs](#)) and **Ambac Financial** ([ABK](#), [news](#), [msgs](#)) tumbled this afternoon after New York State's insurance regulator said a rescue for bond guarantors will "take some time" and analysts cast doubt on the agency's ability to manage the task.

"Clearly it is important to resolve issues related to the bond insurers as soon as possible," Insurance Superintendent Eric Dinallo said in an e-mailed statement to Bloomberg News. "However, it must be understood that these are complicated issues involving a number of parties." MBIA and Ambac, the industry's two largest firms, are both based in New York.

Dinallo is asking banks and securities firms to bolster bond insurers with as much as \$15 billion in new capital before their credit ratings fall. A downgrade might reduce the value of \$2.4 trillion of debt that the insurers guarantee, spawning losses and write-downs on top of the \$133 billion already posted by the world's biggest financial firms.

"The bond insurers scare people to death," money manager Harry Clark at Clark Capital Management said to Bloomberg News. Word of a potential bailout offered "big sighs of relief" on Wednesday, and Ambac jumped 72%.

Today, however, Ambac was down nearly 19% to \$11.12. MBIA was down 13% \$14.40 after jumping 34% on Wednesday.

The Financial Times first reported the potential bailout late Wednesday afternoon.

### **Societe Generale is hit by a record-breaking fraud**

French banking giant **Societe Generale** ([FR:GLE](#), [news](#), [msgs](#)) blamed the fraudulent actions of one rogue trader for a \$7.16 billion trading loss.

The bank said that it first detected the loss -- [one of the biggest in history](#) -- on Jan. 19; it called the fraud "exceptional in size and nature." Societe Generale said four to five people will be fired as a result of the incident.

- **Video:** [Rogue trader slams Societe Generale](#)

SocGen's fraud topped the \$1.8 billion in losses by trader Nick Leeson in 1995, which caused the British bank Barings to declare bankruptcy. Leeson was convicted of fraud and was sentenced to a six and a half years in jail.

European markets fell on Wednesday as rumors about SocGen's write-downs circulated among traders. Societe General shares fell 4.1% to 75.81 euros in trading in Paris.

SocGen also announced that it would write down \$2.9 billion in subprime-related securities.