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U.S. Stock-Index Futures Decline; Countrywide, Goldman Retreat

By Lynn Thomasson - Aug 15, 2007

Aug. 15 (Bloomberg) -- U.S. stock futures fell on concern credit-market losses are accelerating after analysts cut ratings on mortgage lenders and Basis Capital Fund Management Ltd. said the subprime rout may have wiped out 80 percent of one of its hedge funds.

Countrywide Financial Corp., the biggest U.S. mortgage company, dropped for a [fifth](#) day after Merrill Lynch & Co. advised clients to sell the shares and said ``funding markets are deteriorating quickly." Goldman Sachs Group Inc., the largest securities firm, retreated after it waived fees to draw investors to one of its hedge funds.

[Standard & Poor's 500 Index futures](#) expiring in September declined 6.3 to 1428 as of 9:10 a.m. in New York. [Dow Jones Industrial Average](#) futures lost 59 to 13,030 and Nasdaq 100 Index futures decreased 11.75 to 1903.

``Feels like we're on the edge of a panic to me," said Jeffrey Saut, who oversees \$33.7 billion as chief investment strategist at Raymond James & Associates in St. Petersburg, Florida. ``In our business, psychology is everything and psychology has changed real quick on Wall Street."

European and Asian stocks also declined on concern the fallout from the subprime-mortgage rout is spreading. Australia's Basis Capital told investors it is unable to ``accurately estimate" the value of units in its Yield Fund, according to a letter to investors obtained by Bloomberg News.

Countrywide, MFA

Countrywide tumbled \$1.56 to \$22.90 after it was cut to ``sell" from ``buy" at Merrill.

MFA Mortgage Investments Inc. lost 50 cents to \$5.90 after analysts at Bear Stearns & Co. cut their rating on the company that invests in adjustable-rate mortgage-backed securities to ``peer perform" from ``outperform," citing ``challenging funding conditions."

KKR Financial Holdings LLC slipped \$2.27 to \$13. The real-estate unit of buyout firm Kohlberg

Kravis Roberts & Co. was cut to "equal weight" from "overweight" at Lehman Brothers Holdings Inc.

Goldman fell \$2.75 to \$168. The firm waived the management fee for new investors in its Global Equity Opportunities hedge fund after the stock-market rout wiped out \$1.4 billion of assets this month, according to a person familiar with the terms. Spokesman [Lucas van Praag](#) confirmed the terms and declined to comment further.

"In order to lure outside investors, they had to sweeten the deal," said [Ross Intelisano](#), a lawyer in New York at Rich & Intelisano LLP, which advises hedge fund clients.

Housing Report

A report scheduled for release today is likely to show confidence among U.S. homebuilders fell further this month, signaling the housing market continues to worsen.

The European Central Bank, the Fed and other central banks have injected more than \$350 billion into money markets worldwide since Aug. 9 amid concerns that U.S. subprime mortgage losses will curtail lending and push up short-term interest rates.

The U.S. subprime mortgage crisis will cost credit investors about \$150 billion in losses worldwide, according to Calyon, the investment banking unit of Credit Agricole SA, France's third-largest bank by market value.

Applied Materials

Applied Materials fell 74 cents to \$20.50. The largest manufacturer of semiconductor-production machines said orders, an indicator of future sales, retreated 14 percent from the previous quarter, at the lower end of a forecast given by Chief Executive Officer Mike Splinter in May.

The Santa Clara, California-based company forecast another shortfall this quarter amid slumping demand for electronic-measurement products in Asia, especially Japan.

Agilent Technologies Inc. plunged \$3.84 to \$32.49 after the world's biggest maker of scientific-testing equipment said yesterday third-quarter profit dropped 19 percent, more than analysts estimated.

Deere & Co., the world's largest maker of farm equipment, rose \$2.28 to \$119.37. The company said third-quarter earnings rose 23 percent on sales of tractors in the U.S. and Brazil.

In economic reports, the government said consumer prices climbed 0.1 percent in July, the smallest gain in eight months, signaling the Federal Reserve may view inflation as less of a threat. Core prices, which exclude food and energy, climbed 0.2 percent and were up 2.2 percent from a year earlier. The figures matched forecasts by economists in a Bloomberg survey.

Manufacturing in New York state unexpectedly held near the highest level in more than a year in August. The Federal Reserve report showed. The New York Federal Reserve's general economic index fell to 25.1 from 26.5 in July. Economists forecast the index would decline to 18 this month, according to a survey.

The National Association of Home Builders/Wells Fargo sentiment index probably declined to 23 this month, from 24 in June, according to the median estimate from economists in a Bloomberg survey. The Washington-based association is due to report at 1 p.m. Readings less than 50 mean most respondents view conditions as poor.

To contact the reporter on this story: [Lynn Thomasson](mailto:lthomasson@bloomberg.net) in New York at lthomasson@bloomberg.net.

To contact the editor responsible for this story: Chris Nagi at chrisnagi@bloomberg.net.