

Proactive Investors Australia

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U.S. equities sold-off as earnings disappoint

U.S. stocks dropped sharply Friday as markets were weighed down by ongoing turmoil in Ukraine and Gaza, while Amazon shed more than 10% on the back of some disappointing quarterly results and Visa was hurt by its weak outlook.

In late afternoon trading in New York, the Dow Jones Industrial Average was down 136 points at 16,948, while the Nasdaq fell 25 points to 4,447 and the S&P 500 lost 10 points to 1,978. The Dow and the S&P 500 are looking to close with weekly losses, while the Nasdaq appears to be headed for a weekly gain.

Ukrainian soldiers have come under artillery fire from the Russian side of the border overnight, and were attacked by rebels elsewhere in the east, according to reports. The site of the Malaysia Airlines Flight MH17 remains unsecured, with a European sanctions proposal against Russia still being drafted following yesterday's EU summit amid reports that Moscow is directly engaging in hostilities against Ukraine.

Russia's ambassador has declared that the July 16 US sanctions imposed on Rosneft, Novatek and Gazprombank violate World Trade Organization rules.

In Gaza, Secretary of State John Kerry is continuing to press for a cease fire between Hamas and Israel as fighting continues.

Amid the global turmoil, new data showed that investors in U.S.-based funds withdrew a net \$7.6 billion from stock funds in the week that ended July 23 --- marking their biggest outflows since early February.

In the U.S., durable goods were the only item on the economic agenda Friday, rising 0.7% in June, better than expected, though investors paid virtually no attention to the report.

In corporate activity, the week's earnings flood slowed down today, with Xerox (NYSE:XRX) one of the only majors reporting results during Friday's session, but there were a few heavy hitters that reported results after the bell last night that stole focus.

Amazon (NASDAQ:AMZN) stock tumbled almost 11%, weighing on the Nasdaq, after the company posted a wider-than-expected second quarter loss, even as revenue rose 23%. The e-commerce giant also warned its third quarter would be even worse, with operating loss expected to total between \$410 million and \$810 million, up from just \$25 million a year earlier. Meanwhile, the company's new Fire smartphone went on sale in the U.S. today.

Starbucks (NASDAQ:SBUX) reported fiscal third quarter results that beat expectations for both profit and revenue, as the coffee giant's global comparable sales grew 6% during the quarter, slightly better than forecast.

Share Information

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Visa (NYSE:V) beat profit and sales estimates in its fiscal third quarter results as well, but the electronic payments network cut its full year revenue growth forecasts, with shares falling almost 4% on the news and weighing on the blue chip Dow average.

Pandora Media (NYSE:P) reported second quarter adjusted earnings that were a penny higher than estimates, while sales matched expectations. The company did warn, however, about current quarter profits, with shares tanking more than 11% as a result.

Xerox (NYSE:XRX) reported Friday that its second quarter earnings slipped as revenue from its document technology business continued to retreat, but the company's profit still managed to top estimates.

In other stock news, McDonald's (NYSE:MCD) has suspended sales of its chicken nuggets and other items in Hong Kong, after recognizing it had imported products from a business at the centre of the newest food safety scare in China. Shares edged up 0.3% on Friday.

European markets closed lower on Friday, led by losses in France, while Asian shares finished in positive territory. In commodities, on the New York Mercantile Exchange, light, sweet crude futures for delivery in September closed at \$102.09 a barrel, up 2 cents.

Gold futures recovered from a three-day losing streak to close above \$1,300 an ounce on Friday, with August gold rising \$12.50, or 1%, to settle at \$1,303.30 an ounce. The precious metal is still down 0.5% for the week.

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