

Tuesday, October 19, 2010

Moneyline

Monday markets



Index	Close	Change
S&P 500	1184.71	▲ 8.52
Dow Jones Industrial Average	11144	▲ 80.91
10-year Treasury note yield	2.51%	▼ 0.06%
USA TODAY Internet 50	161.10	▲ 0.74
Light sweet crude, barrel	\$83.08	▲ 1.83
Euro (dollars per euro)	\$1.3998	▲ 0.0035
Oil per dollar	81.21	▼ 0.22

Sources: USA TODAY research, MarketWatch.com

Market scoreboard with currencies, 4B



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to set up U.S.-based appliance centers

General Electric plans to spend \$432 million to establish four U.S.-based refrigeration design and manufacturing centers. The company said the

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Realtor.com

In Taos, N.M., a waiting game

Potential home buyers are skittish, seeking positive economic trends, 5B

Apple quarterly income soars 70%

iPad sales under forecasts; tech giant cites supply issues

By Jefferson Graham
USA TODAY

Apple reported its first \$20 billion quarter Monday, with record revenue and earnings for the iconic maker of the Macintosh computer, iPhone, iPad and iPod.

Technology Net income rose 70% to \$4.3 billion on \$20.3 billion in revenue, up from \$2.5 billion on \$12.2 billion in revenue in the year-ago quarter.

The big surprise: Apple's iPhone sales greatly surpassed Wall Street analysts' projections of 12 million, with sales of 14.1 million handsets in the quarter.

"That's a monster number," says Piper Jaffray analyst Gene Munster. It happened during a period,

June through September, when Apple couldn't fulfill all the demand for orders. Munster believes Apple could have sold 16 million iPhones if it had had enough phones.

However, Apple sold fewer iPad tablet computers than analysts had expected, 4 million in the quarter, less than the 5 million predicted. Apple cited supply issues and said it was able to increase production late in the quarter.

Investors last week gobbled up Apple shares, helping the company surpass \$300 a share for the first time in anticipation of the earnings report. Monday, Apple stock closed at \$318, but fell \$18.29 in after-hours trading to \$299.71. Investors weren't happy with iPad sales and lower gross margins than expected.

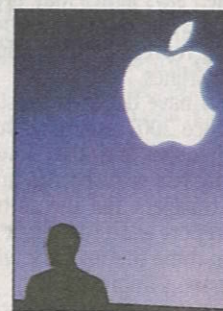
Apple CEO Steve Jobs made a rare appearance on the company's earnings call with analysts, taking

aim at smartphone competitors Research In Motion and Google's Android. Apple's sales of 14 million iPhones beat RIM's 12 million BlackBerry phones in the quarter, "and I don't see them catching up," Jobs said.

He called Google's Android system "fragmented" because it's on so many different devices and carriers.

What has been characterized as a friendly rivalry appears anything but, in Apple's mind. Munster calls Jobs' remarks "basically a declaration of war."

Apple also said it sold 3.9 million Macintosh computers, up 27% from the year-ago quarter; 9 million iPods, down from 10 million last year; and 250,000 Apple TV boxes. The set-top box to stream video content to the TV was just redesigned, with a new, lower \$99 price. Wednesday, Apple is expected to introduce new Macintosh computers and preview the new Mac operating system, Lion.



By Eric Risberg, AP

In silhouette: Apple CEO Steve Jobs.

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Business Travel

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Business



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set up U.S.-based appliance centers

General Electric plans to spend \$432 million to establish four U.S.-based refrigeration design and manufacturing centers. The company said the new centers will create 500 new jobs by 2014 and help preserve 1,166 existing positions. The centers will be located at existing locations in Louisville, Bloomington, Decatur, Ala., and Selmer, Tenn.

Group posts another quarterly profit

The group, which is still 12% owned by the government, posted its third-consecutive quarterly profit. The bank earned \$2.2 billion, or 7 cents a share, in the three months ended in September, compared with a loss of \$3.2 billion, or 27 cents, a year earlier. ... IBM said that its net income rose to \$3.6 billion, or \$2.82 a share, in the July-September period, compared with \$2.4 billion, or \$2.40, in the same period last year.

Bank of America to resume foreclosures

Bank of America plans to resume seizing more than 100,000 homes in 23 states next week, saying it has secured a legal right to foreclose despite accusations that documents used in the process were flawed. The company says it's confident of its foreclosure success in a majority of its questionable cases. The bank is still delaying foreclosures in the 27 other states which don't require a judge's approval.

Deal to buy Nstar in \$4.2B deal

Entergy says it will buy Nstar for \$4.2 billion, forming the biggest New England utility acquisition in the industry with 3.5 million electric and gas customers in three states. The transaction is worth \$3 a share, which the companies say is the fair value of the shares over the last 20 trading days, about 2% above Nstar's closing price Friday. ... **Jude Medical** said it will boost its cardiac business by buying heart device maker **Medtronic** Medical Holdings for \$1.0 billion in a \$20.80-a-share cash-and-stock deal. St. Jude is also taking \$25 million in debt held by AGA. ... **BP** said it will sell energy assets in Venezuela and Vietnam to its Russian joint venture for \$1.8 billion, the company said, part of a plan to help pay for oil spill cleanups in the Gulf of Mexico.

Cablevision dispute continues

The dispute between Fox and Cablevision that has cost millions of cable subscribers in the New York area access to Fox programming over the weekend is still unresolved. Fox, owned by News Corp., and Cablevision said talks Monday did not bring a new agreement on how much Cablevision will pay to carry Fox programming on the network. More talks are planned today.

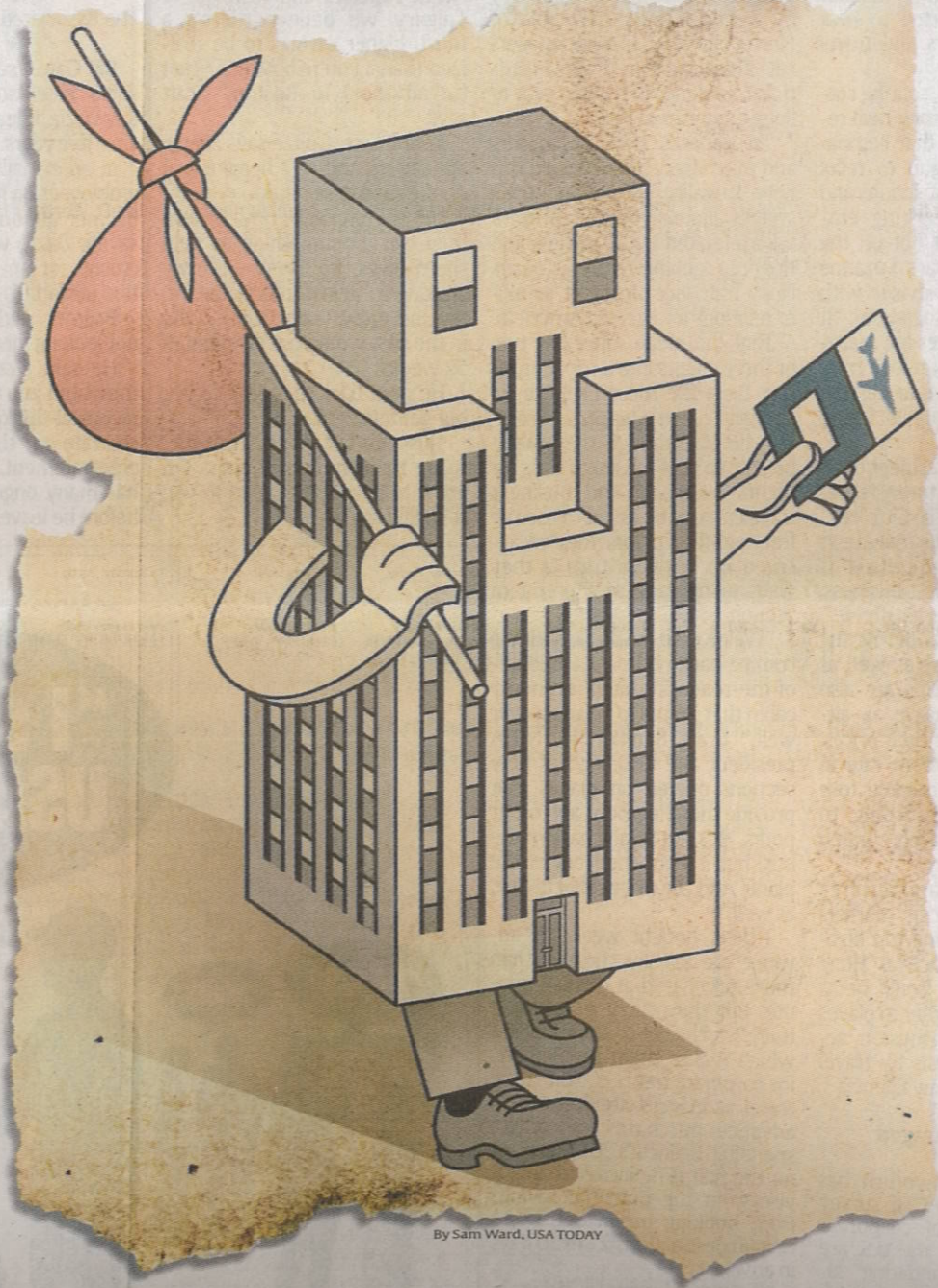
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the company's earnings call with analysts, taking

to introduce new Macintosh computers and preview the new Mac operating system, Lion.

Business Travel

Every Tuesday



By Sam Ward, USA TODAY

Business travel up; frugality still rules

Fliers fill coach seats – if video talks aren't possible

By Charisse Jones
USA TODAY

Mitchell Goozé usually spends much of the year traveling, giving advice to companies on how to grow. But the phone wasn't ringing much during the depths of the recession.

Now, many of his clients are feeling more confident, and Goozé is back on the road. "I went through a period where I wouldn't travel for two or three weeks, and now, I'm starting to be gone almost every week again," says Goozé, whose company is based in Sunnyvale, Calif. "The trend is definitely moving."

Businesses will send more people out on the road next year, making up for lost time during the recession, when travel budgets were slashed and corporate trekkers mostly stayed put, corporate travel managers say.

But the frugality that took hold in the economic downturn will continue, they say. Companies will opt for coach over more expensive first-class airline tickets.

The tickets will more often be bought in advance rather than at the last minute, which costs more. And videoconferencing will be used if a face-to-face meeting on the road isn't critical.

Cover story

Please see COVER STORY next page ▶

a-share cash-and-stock deal. St. Jude is also taking on \$225 million in debt held by AGA. ... BP agreed to sell energy assets in Venezuela and Vietnam to its Russian joint venture for \$1.8 billion, the companies said, part of a plan to help pay for oil spill damages in the Gulf of Mexico.

Fox, Cablevision dispute continues

The dispute between Fox and Cablevision that left 3 million cable subscribers in the New York area without Fox programming over the weekend is still unsettled. Fox, owned by News Corp., and Cablevision Systems said talks Monday did not bring a new agreement on how much Cablevision will pay to carry the network. More talks are planned today.

Briefly ...

J.C. Penney is enacting a one-year "poison pill" to ward off hostile takeovers after activist investor William Ackman and his hedge fund, Pershing Square Management, on Oct. 8 disclosed a nearly 17% stake in J.C. Penney. The same day, Vornado Realty Trust disclosed a 9.9% stake and said it would consult with Pershing Square. ... **Harrah's Entertainment**, the world's largest casino company, plans to go public again. Harrah's said in a regulatory filing that it would sell an unspecified number of new shares to raise as much as \$575 million.

From Associated Press reports

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Source: SocialTwist

By Jae Yang and Alejandro Gonzalez, USA TODAY



By Sam Ward, USA TODAY

Ford V-6 pickups a tough sell?

Automaker looks for boost in fuel-economy ratings

By James R. Healey
USA TODAY

Ford Motor is reintroducing V-6 engines in its 2011 F-Series pickups, a move key to meeting fuel-economy rules. But to do so, Ford must persuade the stubborn traditionalists who comprise truck buyers to make a big change under the hood.

It doesn't help Ford's case that the automaker has been telling buyers for years that its small V-8 was a better choice — more powerful than a V-6 and about as fuel efficient.

Ford discontinued the V-6 after the 2008 model year. It accounted for about 20% of F-Series sales. Now, Ford hopes to rekindle V-6 sales so they jump to 55%.

Expect that to take three years or so, says Mike Levine, editor of PickupTrucks.com. First, Ford must "convince pretty skeptical people" that V-6s are credible substitutes for the V-8s that typically are truck buyers' choice.

The first new V-6 — 3.7-liter, 302 horsepower — will be the standard engine in most 2011 F-150s beginning this quarter. Ford expects it to account for 15% of F-150 sales.

The EcoBoost V-6 Ford launches early next year — a combination of twin-turbocharger and direct fuel-injection technologies — has no track record in pickups.

Yet, Ford will price the 3.5-liter, 365-hp EcoBoost \$1,750 more than the base, or \$750 more than a new, 360-hp, five-liter V-8. Ford predicts EcoBoost will be 40% of F-150 sales.

"That's really the stretch, the idea of paying more for a smaller engine," says Aaron Bragman, senior auto analyst at consultant IHS Global Insight. "But they have to, for (fuel-economy) purposes."

Regulations require automakers to average 35.5 miles per gallon by 2016. Rules under consideration could boost that as high as 62 mpg in 2025. Ford's base 3.7-liter V-6 is rated 16 mpg in town, 23 on the highway. The new five-liter V-8 is 15/21. The EcoBoost V-6 is expected to be higher.

Rivals have all but discontinued V-6s and will watch Ford closely. If buyers accept the smaller, less-thirsty engines, it gives Ford an advantage. You'd see a push from competitors to get sophisticated V-6s into their trucks, too, as a way to help their lowest-mileage vehicles meet tightening fuel-economy standards.

Don't expect new-generation V-6s to cut the price of trucks, even though V-6 models have long been cheaper than V-8s. Getting more power and better mileage from a smaller-displacement engine requires expensive engineering, expensive hardware, or both.

Truck buyers are conservative, acknowledges Frank Davis, executive director in charge of Ford's North American products. "But they do more research than anybody before they buy." That means Ford's arguments for V-6s can sway them, he says.

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