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Slow summer brings choppy trade week

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August 15, 2010

NEW YORK (CNNMoney.com) -- With many traders out of the office in late summer -- and those still participating left confused by mixed reports -- stocks are headed for a volatile week.

Late August is "prime time for low-volume season," said Kim Caughey, senior equity analyst at Fort Pitt Capital Group. And trade has already been choppy in recent weeks.

Stocks had surged 7% in July after many major U.S. companies reported better-than-expected results for the quarter. But the march upward has been stalled in August. The corporate reporting period is coming to an end and recent economic data are denting hopes for recovery.

"We heard a lot about double-dip recession, then people got hopeful after earnings showed that's not going to happen," said Kenny Landgraf, founder at Kenjol Capital Markets.

Debating the double-dip

"But on the other hand, economic reports are still showing consumers aren't in good shape," Landgraf added. Downbeat reports on sectors from jobs to retail to consumer sentiment have hammered stocks in recent weeks.

The result: A tug of war between earnings and economic data that paint a mixed picture, leaving market participants confused. That uncertainty can lead to sharp swings in the market.

Last week was a prime example. After slight gains Monday, all three stock indexes underwent choppy trade and closed lower from Tuesday to Friday. The Dow lost 3.3% over the week, the S&P fell 3.8% and the Nasdaq plummeted 5%.

That volatility will likely be exacerbated in the coming week, with many market players out of the office in late summer.

"August and September are the worst two months because a lot of traders are still on vacation," Landgraf said. "Many people are saying, 'Let's take some money off the table and wait 'til October."

Meanwhile, the not-so-lucky traders stuck in the office may ramp up their market activity to take advantage of the low volume.

"Everybody does get geared up for a rocky September," said Paul Radeke, wealth advisor at KDV Wealth Management. "Traders are jockeying for position, to try to cushion ahead of that increased volatility."

On the docket

Monday: The Empire Manufacturing survey is due before the start of trading. The regional reading on manufacturing is expected to have jumped to 7.50 in August from 5.08 in July, according to a consensus of analysts polled by Briefing.com.

Tuesday: New home construction is expected to have risen slightly, with housing permits jumping to a 555,000-unit annualized rate in July from a 549,000-unit annualized rate the previous month. The Commerce Department report is also expected to show that building permits, a measure of builder confidence, fell to a 573,000-unit annualized rate in July from a 586,000-rate in the previous month.

The Producer Price index (PPI), a measure of wholesale inflation, is expected to have gained 0.2% in July after falling 0.5% the previous month. The so-called core PPI is expected to have risen 0.1%.

Don't blame the consumer

The Federal Reserve's reading on factory output is due shortly after the start of trading. Industrial output is expected to have risen 0.6% in July. Capacity utilization is expected to have risen to 74.5% from 74.1% in the previous month.

Wednesday: The weekly crude oil inventories report is due in the morning.

Thursday: The Department of Labor will release weekly jobless claims figures before the start of trade. The number of Americans filing new claims for unemployment last week is expected to have fallen to 475,000, from 484,000 the previous week.

The Leading Economic Indicators (LEI), from the Conference Board, is expected to have risen 0.2% in July after falling by that amount in June.

The Philadelphia Fed index, a regional reading on manufacturing, is also due in the late morning.

Friday: No economic reports are on tap for Friday.