



HARDWARE STOCKS

Chips under pressure; Nvidia plunges Sector follows market lower on U.S. jobs data

By [Chris Kraeuter](#), *CBS.MarketWatch.com*

Last Update: 4:42 PM ET Aug. 6, 2004

SAN FRANCISCO (CBS.MW) -- Chip and computer hardware stocks dropped Friday as part of a broad market sell-off spurred by a U.S. report showing weaker-than-expected jobs growth.

The Philadelphia Semiconductor Index ([\\$SOX: news, chart, profile](#)) lost 3.9 percent to 386.9, while the Goldman Sachs Hardware Index ([\\$GHA: news, chart, profile](#)) slid 3.5 percent to 217.8 - a one-year low.

The Nasdaq Composite ([\\$COMPQ: news, chart, profile](#)) fell 2.5 percent to 1,776.9, its second consecutive one-year low.

For the week, the chip index lost 7.1 percent and the hardware index shed 7.3 percent. The Nasdaq dropped 5.8 percent.

Friday's declines began with a Labor Department report that showed the U.S. economy added 32,000 jobs in July, much less than the 235,000 that most economists expected. [See full story.](#)

Among chip stocks, Nvidia ([NVDA: news, chart, profile](#)) plunged 35 percent to \$9.43 -- an 18-month low for the graphics chipmaker. Late Thursday, Nvidia soundly missed financial targets for its second quarter and predicted only modest growth for the third quarter.

"Despite the steep decline in Nvidia's stock price, until and unless we see a bottoming in its market share, or the company gaining a significant lead in high-end graphics, we would remain cautious on the stock," said analyst Gurinder Kalra with Bear Stearns.

He significantly cut his estimates out through 2006.

Shares of ATI Technologies ([ATYT: news, chart, profile](#)), Nvidia's largest competitor, dropped 9.4 percent to \$14.40.

Stocks closing at one-year lows included LSI Logic ([LSI: news, chart, profile](#)), Novellus Systems ([NVLS: news, chart, profile](#)), STMicroelectronics ([STM: news, chart, profile](#)), Emulex ([ELX: news, chart, profile](#)), Maxtor ([MXO: news, chart, profile](#)), QLogic ([QLGC: news, chart, profile](#)), and Western Digital ([WDC: news, chart, profile](#)).

"There's a lot of worry out there now," said **Ian Fraley**, managing principal with **Financia Capital**, a San Francisco-based hedge fund. But he said tech stocks, including semiconductors, still have another good run ahead of them.

"The market has largely priced in a pretty big profit slowdown," he said. "If that's priced in, then one of two things will happen: a slowdown will come and stock prices will not go much lower or things look a little better for tech companies."

"If people expect things to get worse and they get a little better, that can represent a big upside surprise," said Fraley, adding that institutional investors are holding significant amounts of cash just waiting to be put to work.

Chris Kraeuter is a reporter for CBS.MarketWatch.com in San Francisco.