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Wall Street slips after advance to 5-month high

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By [Angela Moon](#)

NEW YORK (Reuters) - U.S. stocks edged lower on Wednesday after hitting a five-month high in the prior session as a warning about further weakness in the euro kept investors jittery.

The link between U.S. equities and the movement of the embattled euro became strong toward the end of 2011 as traders fretted about possible government defaults in the euro zone.

But the U.S. stock market is steadily showing signs of separating its performance from the euro zone's debt crisis, analysts said.

"Even when we get a dip (due to euro zone-related issues), the duration of the decline or magnitude is shorter and less significant, and the market tends to recover quickly," said Randy Warren, chief investment officer of Warren Financial Service.

Energy shares led equities lower as U.S. crude futures posted their fourth decline in five days. The S&P energy sector index fell 1.4 percent and an index of oil services companies dropped 1.6 percent.

The euro fell against the U.S. dollar to its lowest in 16 months after Fitch Ratings warned of dire consequences if the European Central Bank did not take more action to support the currency by buying troubled euro zone debt.

Analysts say U.S. stocks are undervalued compared to other markets, buoyed by a strong corporate sector and signs of a sustainable U.S. economic recovery.

"The next catalyst to move this market higher is the absence of bad news. It's a strange catalyst, but it's almost as if there needs to be bad news to keep this market down. I see a lot of momentum to the upside," Warren said.

The Dow Jones industrial average [.DJI](#) was down 38.14 points, or 0.31 percent, at 12,424.33. The Standard & Poor's 500 Index [.SPX](#) was down 2.51 points, or 0.19 percent, at 1,289.57. The Nasdaq Composite Index [.IXIC](#) was up 3.91 points, or 0.14 percent, at 2,706.41.

The Dow and S&P 500 hit five-month highs on Tuesday.

Further reflecting the weakening link between the euro zone and U.S. stock market, the 50-day correlation between the S&P 500 e-mini futures contract and the euro crossed the zero line this week after four months of being in positive territory, indicating they were no longer on the same path.

The Federal Reserve is due to release its periodic summary of economic conditions at 2 p.m. (1900 GMT). The Fed's Beige Book may offer more evidence that the economy's health is slowly being restored.

Supervalu Inc (SVU.N: [Quote](#), [Profile](#), [Research](#), [Stock Buzz](#)) shares dropped 10.6 percent to \$7.50 after quarterly sales at the third-largest U.S. supermarket chain missed estimates.

Clothing retailer Urban Outfitters Inc (URBN.O: [Quote](#), [Profile](#), [Research](#), [Stock Buzz](#)), grappling with piled-up inventory and declining margins, said its chief executive resigned unexpectedly, sending the company's shares tumbling 18.1 percent to \$24.08.

On the Nasdaq, Crocs (CROX.O: [Quote](#), [Profile](#), [Research](#), [Stock Buzz](#)) shares rose 11.8 percent to \$17.84 after the shoemaker said it expects fourth-quarter revenue to be at the high end of its earlier estimate, becoming the latest footwear company to flag strong sales numbers for the holiday season.

(Reporting By Angela Moon; Editing by Kenneth Barry)



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