The Standard & Poor's 500 Index (SPX) fell, poised for the longest slump in more than a month, after a jump in Spanish yields above 7 percent intensified concern about Europe’s crisis and as investors awaited Alcoa Inc.’s results.

Alcoa, which begins the second-quarter earnings season after the market close, slid 0.7 percent. Exxon Mobil Corp. (XOM) and Caterpillar Inc. (CAT) dropped at least 1 percent to pace losses among the biggest companies. Payment networks Visa Inc. (V) and MasterCard Inc. fell at least 2.5 percent after being downgraded at UBS AG. Amerigroup Corp. (AGP) surged 38 percent as WellPoint (WLP) Inc. agreed to buy the company for $4.9 billion in cash.

The S&P 500 slid 0.4 percent to 1,349.71 at 10:46 a.m. New York time. The benchmark measure for U.S. equities dropped 1.8 percent in three days, the longest losing streak since June 1. The Dow Jones Industrial Average lost 54.49 points, or 0.4 percent, to 12,717.98. Trading in S&P 500 companies was 26 percent below the 30-day average at this time of day.

“It’s very concerning,” Jeff Savage, regional chief investment officer for Wells Fargo Private Bank in Portland, Oregon, said in a telephone interview. His firm manages $169 billion. “Seven percent is not a sustainable level of interest rates for Spain. That’s scary stuff. We can’t have one of our best trading partners going through terrible economic times and not having an effect on U.S. corporate earnings.”

American stocks joined a global slump as European finance ministers prepared to meet to hammer out a rescue plan for banks. Alcoa (AA), the largest U.S. aluminum producer, may report an 81 percent decline in second-quarter earnings as the eighth straight year of surplus global production drives down the price of the metal. The shares fell 0.7 percent to $8.66.

Earnings Contraction

The latest quarter is the first since 2009 that analysts project earnings in the S&P 500 will contract after Europe’s debt crisis and slowing growth in China reduced overseas demand. Analyst estimates compiled by Bloomberg show a 1.8 percent decline in profit for S&P 500 companies in the second quarter. Revenue is projected to increase by 2.5 percent.

Stocks fell last week, after the S&P 500 reached a two-month high, as jobs data heightened concern about a slowing economy and Europe’s efforts to tame its debt crisis disappointed investors.

Nine out of 10 groups in the S&P 500 retreated today as commodity, consumer discretionary and technology companies had the biggest declines. Exxon Mobil slumped 1.7 percent to $83.40 to pace losses in energy shares. Caterpillar, the largest maker of construction equipment, slid 1 percent to $83.75.

Visa retreated 2.5 percent to $122.17, while MasterCard (MA) declined 3.5 percent to $426.07. The shares were cut to sell from neutral at UBS.
**Only Gain**

A measure of health-care stocks had the only gain among 10 industries in the S&P 500.

Amerigroup surged 38 percent to $88.71. The stockholders will receive $92 a share. The price is 43 percent above the closing level of Amerigroup in New York Stock Exchange trading on July 6. The acquisition will make WellPoint the top private manager of Medicaid benefits in the U.S., with 4.5 million members in the government-sponsored programs. WellPoint, the second-biggest U.S. health plan, added 3 percent to $61.70.

The deal is also boosting the value of other insurers focusing on Medicaid. WellCare Health Plans Inc. (WCG) soared 14 percent to $60.28. Molina Healthcare Inc. (MOH) rallied 13 percent to $26.12.

The same securities analysts warning of the first decline in quarterly earnings since 2009 are also more bullish than ever on U.S. stocks.

**Bullish Ratings**

A total of 247 companies in the S&P 500 have more buy ratings than sells and holds, a record in Bloomberg data starting in 2000. Bullish recommendations have been expanding even as Wall Street firms cut their forecast for second-quarter net income in the U.S. to a decrease of 1.8 percent from a gain of 2 percent in April, more than 10,000 estimates compiled by Bloomberg show.

Bears say rising equity volatility, declining profits and the approaching U.S. presidential election mean the 4.5 percent drop in the S&P 500 since April will continue. Bulls say analysts are advising clients to buy because earnings are still on track to reach a record this year and the index is trading 16 percent below its average valuation since the 1950s.

“My picks aren’t based on one quarter,” Howard Rubel, a New York-based equity analyst at Jefferies & Co., said in a July 5 phone interview. “It’s not always captured in a headline how many pieces of judgment one needs to incorporate into a stock recommendation, and a quarterly earnings report is only one item. You have to look at things over a period of time.”

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