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UPDATE: General Motors Swings To A Massive Second-Quarter Loss

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SAN FRANCISCO (Dow Jones) -- General Motors Corp., scrambling to adjust its operations and align production toward smaller cars, reported Friday another massive loss as the auto-buying public's shift away from its profitable truck and SUV lines gathered momentum.

GM's stock, part of the Dow Jones Industrial Average, lost as much as 10% in early trading but recovered at midmorning to $10.77, down nearly 3% on the session.

In the past month, GM shares have tested levels not seen since 1954, with plunging sales and fears of a cash crunch fueling concerns in some quarters over a potential bankruptcy.

The struggling Detroit giant said it swung to a second-quarter loss of $15.5 billion, or $27.33 a share, from a year-earlier profit of $891 million, or $1.56 a share.

Revenue for the June quarter fell 18% to $38.16 billion, reflecting slowing sales growth abroad as well as more stiff declines at home.

Excluding $9.1 billion of special items, notably a special attrition program for North American hourly workers and an adjustment to its Delphi Corp. reserve, GM would have lost $6.3 billion, or $11.21 a share.

Broader industry declines, the long strike at key parts supplier American Axle & Mfg. and large lease-related charges all weighed heavily.

Analysts polled by FactSet Research had been looking for a loss, on average, of $2.85 a share with total revenue pegged at $42.6 billion.

Wall Street previously targeted a loss of $5.86 a share for the full year, with no annual profit projected for GM until 2010.

"As our recent product, capacity and liquidity actions clearly demonstrate, we are reacting rapidly to the challenges facing the U.S. economy and auto market, and we continue to take the aggressive steps necessary to transform our U.S. operations," said Chairman and CEO Rick Wagoner in a statement.

Liquidity concerns

GM ended the quarter with $21 billion in cash, marketable securities and readily available assets of an employee trust fund, down from $23.9 billion a year ago.

Wagoner told CNBC earlier Friday that he is "comfortable" with the company's liquidity.

Standard & Poor's a day earlier downgraded its credit ratings on GM, Ford Motor Co. and Chrysler LLC further into junk status, citing mounting losses in North America and the deteriorating conditions in the U.S. auto market. The ratings agency said that it could again cut GM if its cash position dropped below $15 billion.

GM's shares have skidded 60% in the year to date, compared to a 14.6% decline for the broader blue-chip Dow industrials, as record-high gas prices and the prolonged U.S. housing slump continue to stymie sales of the company's most profitable vehicles.

GM acted to ease investor concerns two weeks ago, announcing plans to raise $ 15 billion in liquidity by cutting its dividend, reducing salaried costs and considering more asset sales.

"The results that are being announced today were comprehended when we developed our plan on July 15," GM COO Fritz Henderson said in a conference call. "So, we knew what was coming ... and we knew what we needed to do to respond and react."

Egan-Jones Rating Co. said that GM, in light of the share and earnings declines, is running out of options and that it actually has far less cash than it appears.

"After adjusting for most suppliers being paid right after the first of each month ... true cash is negative," the credit-ratings agency said. "The plunging sales call for drastic action, but unfortunately, management is unlikely to do much."

Ford's shares dipped 2.3% following GM's results, on the heels of dropping 15% last week after the company reported a loss of $8.7 billion and announced more aggressive measures to retool its business.

Sales woes continue

Despite the well-chronicled sales declines in the U.S. market, GM has managed to grow international sales by 10% through the first half of the year. That wasn't enough to keep Toyota Motor Corp. from taking the global lead, however.

July U.S. sales will be announced later Friday. Analysts are expecting another dismal showing for the industry.

In particular, they're calling for double-digit declines for GM. Last month, the company posted an 18.2% drop to 262,329 cars and trucks, down from 320,668 units sold a year ago.

GM has made major production adjustments to build more smaller cars and fewer trucks: Fully 18 of the next 19 new product launches are cars or crossovers. While that should help align capacity with demand, it is also cause for concern when it comes to the bottom line.

"Whether consumer preference stays focused on smaller, more fuel-efficient vehicles or not, selling these lower-margin products will not provide the level of cash flow GM was counting on with SUVs and trucks to help fund the North American turnaround," said Mainstay Capital Management's David Kudla, who manages $700 million in assets for auto workers and retirees.