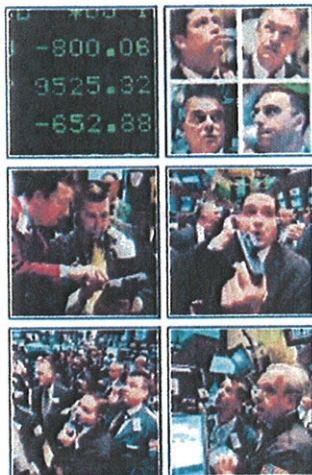


Photo 1 of 6

INDU	-300.06	VO
INDP	3525.32	UU
NY#	-652.88	DU

A board on the floor of the New York Stock Exchange shows the Dow Jones Industrial Average down 800 points, during the trading day Monday Oct. 6, 2008. Wall Street suffered through another extraordinary and traumatic session Monday, with the Dow Jones industrials plunging as much as 800 points — their largest one-day point drop — before recovering to close with a loss of 370. (AP Photo/Richard Drew)



Wall Street tumbles amid global sell-off

By JOE BEL BRUNO and TIM PARADIS — 17 hours ago

NEW YORK (AP) — Wall Street suffered through another extraordinary and traumatic session Monday, with the Dow Jones industrials plunging as much as 800 points — their largest one-day point drop — before recovering to close with a loss of 370. The catalyst for the selling, which also took the Dow below 10,000 for the first time in four years, was investors' growing despair that the spreading credit crisis will take a heavy toll around the world.

Investors have come to the realization that the Bush administration's \$700 billion rescue plan and steps taken by other governments won't work quickly to unfreeze the credit markets.

That sent stocks spiraling downward in the U.S., Europe and Asia, and drove investors to sink money into the relative safety of U.S. government debt. Fears about a global recession also caused oil to drop below \$90 a barrel.

"The fact is, people are scared and the only thing they're doing is selling," said Ryan Detrick, senior technical strategist at Schaeffer's Investment Research. "Investors are cleaning out portfolios and getting rid of everything because nothing seems to be working."

The selling was so extreme that only 264 stocks rose on the NYSE — and 2,986 dropped. That's a telling sign considering the stock market is considered a leading economic indicator, with investors tending to buy and sell based on where they believe the economy will be in six to nine months.

Monday's stock trading extended what has been an exceptional stretch of volatility, in which triple-digit drops in the Dow are becoming almost commonplace. The steep decline indicates that investors are becoming more convinced that the country is leading a prolonged economic crisis that is shifting to other nations.

"The market view is shifting from looking just at the misery of the financial sector to the global economy," said Georges Ugeux, chairman and chief executive of New York-based Galileo Global Advisors. "There are enough indication that two things are happening: The crisis is spreading to other sectors, and that it is becoming global."

Ugeux believes Monday's rout had little to do with any short-term problems facing the market, such as paralyzed credit markets or ailing financial companies. He believes that, regardless of the late-day rebound in stocks, "the reaction is clearly giving a downtrend and that there is a lack of confidence of investors into the future growth of the U.S. and the world economy."

The Dow fell as much as 800.06, then recovered in erratic trading to a loss of 369.88, or 3.58 percent, to close at 9,955.50, dropping below 10,000 for the first time since Oct. 29, 2004. The Dow surpassed its previous record for a one-day point decline — 778, which the blue chips suffered a week ago when investors feared the bailout package might not pass Congress.

Broader indexes also tumbled. The Standard & Poor's 500 index shed 42.34, or 3.85 percent, to 1,056.89; and the Nasdaq composite index fell 84.43, or 4.34 percent, to 1,862.96. The Russell 2000 index of smaller companies dropped 23.49, or 3.79 percent, to 595.91.

In Asia, the Nikkei 225 closed 4.25 percent lower. Europe's stock markets also declined, with the FTSE-100 down 5.77 percent, Germany's DAX down 7.07 percent, and France's CAC-40 down 9.04 percent.

The global sell-off came after governments across Europe rushed to prop up failing banks, while the governments of Germany, Ireland and Greece also said they would guarantee bank deposits. As the U.S. tries to repair its battered banking system, the German government and financial industry agreed on a \$68 billion bailout for commercial-property lender Hypo Real Estate Holding AG. And France's BNP Paribas agreed to acquire a 75 percent stake in Fortis's Belgium bank after a government rescue failed.

The Fed also took fresh steps Monday to help ease credit markets. The central bank said Monday it will begin paying interest on commercial banks' reserves and will expand its loan program to squeezed banks.

Joseph V. Battipaglia, chief investment officer at Ryan Beck & Co., said government intervention certainly might help. However, he believes investors are sensing that what's happening in the economy is a shift in the extent to which consumers and businesses take

on debt, a change that will take years to play out.

"This is a global deleveraging of many economies," he said. "It might appear that you're going into the abyss where the economy grinds to a halt and the financial system goes into complete disarray. But, what the market is really reading here is that this is a global phenomenon, and when you delever like this, it is a process that takes a very long period of time measured in years, not quarters."

The anxiety was again obvious in the credit markets. The yield on the three-month Treasury bill fell to 0.43 percent from late Friday at 0.50 percent. Demand for bills remains high because of their safety; investors are willing to take extremely low returns just to have their money in a secure place.

Investors also moved into longer-term Treasury bonds. The yield on the 10-year note fell to 3.47 percent from 3.60 percent late Friday.

Anthony Sabino, a professor of law and business at St. John's University in New York, said the "market is displaying one of its worst traits with a herd mentality, and investors have an appetite for feeding on fear." He cautions that, while there are deep economic and financial problems being faced, it is still not a nightmare scenario.

"Most certainly, this is not the Great Depression of the 1930s, but (is like) the savings and loan crisis of the 1980s — and we bailed them out," he said. "Once people catch their breath, they'll see this is the proper analogy and this will breathe life back into banking institutions."

But, most analysts believe that there will be no quick fixes to the current financial crisis. Ryan Jacob, portfolio manager for the Jacob Internet Fund, said he's sensing the market might be getting closer to a short-term bottom but that problems for the economy likely will persist.

He said the passage of the bailout package, billionaire investor Warren Buffett's investment last week in General Electric Co. and even a skirmish between Wells Fargo & Co. and Citigroup Inc. over control of Wachovia Corp. are positive signs.

"We've had some positive anecdotal events in the last week so it's making me a little bit more confident," Jacob said. "These are all signs that make it more likely than not that we're trying to find a near-term bottom."

He's been hunting for bargains lately.

"We had had been a little bit cautious up until really about a month ago," he said. "Over the last few weeks we've been increasing our position levels."

Frederick Dickson, chief market strategist at D.A. Davidson & Co., believes investors are eager for any signs about the well-being of the economy. He doesn't believe that will happen until Wall Street overhauls its expectations for growth of corporate earnings and the overall economy.

"Wall Street at this point is shifting its attention from whether Congress was going to act on the emergency stabilization bill to the realization that the economy is slowing significantly faster than most analysts had expected," he said. "The downturn has shifted from first gear to about third gear in about two weeks."