US stocks extend huge losses over credit concerns

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NEW YORK – Wall Street extended its devastating losses Friday, but prices swung sharply as investors scooped up some shares decimated by more than a week of intense and panicked selling. The Dow Jones industrials, down nearly 700 points in the opening minutes of trading, recovered to an advance of more than 100 before turning sharply lower again, and the other major indexes fluctuated widely as well.

Frozen credit markets and a loss of confidence in the world's financial system have caused the Dow to drop 21 percent in just 10 trading days. The blue chip index tumbled 678 points Thursday, and is heading to its worst weekly point drop, and one of its biggest weekly percentage drops, since being created 112 years ago.

Friday's gyrations were likely exacerbated by the computer-driven "buy" orders that kicked in when prices fell far enough to make some stocks — including the pummeled financial stocks — look like attractive bets. But that buying didn't necessarily reflect an easing of the market's deep despair, and so the heavy selling generally continued.

"Fear has been running rampant all over the Street. Fear and greed, that's what rules the Street. I think the carcass has been stripped to the bone," said Dave Henderson, a floor trader on the New York Stock Exchange for Raven Securities Corp.

"The mood, it swings with the market. When we went positive, the euphoria down there was awesome. It's like at a football game," he said.

While the market's declines were sharp Friday, some of the selling pressure appeared to ease after the steep drop at the open. Still, many investors have waited until the final hour of trading each day this week to hit the "sell" button, so investors appeared uneasy about how the market would look at 4 p.m., when the closing bell sounds.

At the start of Friday's session, losses for the year totaled a staggering $8.3 trillion, as measured by the Dow Jones Wilshire 5000 Composite Index, which tracks 5,000 U.S.-based companies representing nearly all stocks traded in the U.S.

In midday trading, the Dow fell 388.53, or 4.53 percent, to 8,190.66. At its low point Friday, the Dow was at 7,882.51, just 60 points above its low in Wall Street's last bear market, 7,286.27, reached Oct. 9, 2002.

Broader stock indicators also fell. The Standard & Poor's 500 index declined 55.64, or 6.11 percent, to 854.28, while the Nasdaq composite index fell 75.59, or 4.59 percent, 1,569.53.

About 200 stocks advanced while about 3,000 declined on the New York Stock Exchange, where volume came to a heavy 1.08 billion shares.

Investors continue to shift money into safer investments, most of it going into the government bond market. The yield on the three-month Treasury bill plunged to 0.28 percent from 0.58 percent late Thursday. That suggests that demand for T-bills, regarded by investors as the safest assets around, remains high.

Longer-term Treasury yields moved higher as investors moved into shorter term issues. The yield on the benchmark 10-year note rose to 3.87 percent from 3.76 percent late Thursday.

Gold prices climbed $7.60 to $894.10 an ounce on the New York Mercantile Exchange, while oil prices fell. A barrel of light, sweet crude declined $6.45 to $80.14 a barrel on the Nymex.

Jack Ablin, chief investment officer at Harris Private Bank, said some investors are fearful of placing bets before the market shakes out for fear they will exacerbate their losses.

“You don’t want to get hit by a train,” he said. “This is now about market psychology. There’s extreme fear and panic out there.”

President Bush said Friday the government’s efforts to rescue the financial sector was powerful enough to succeed but that it would take some time to be fully implemented.

His remarks came as finance ministers and central bankers from the Group of Seven nations gathered Friday in Washington to discuss the economic meltdown. One of the potential remedies expected to be reviewed at the meeting is for governments to guarantee lending between banks.

Central banks around the world were forced to cut interest rates this week after continuing problems in the credit market triggered concerns that banks will run out of money. Analysts have described the mood on trading floors as panicked, with investors bailing out of stocks on fears there is no end in sight to the financial carnage.

A stream of selling forced exchanges in Austria, Russia and Indonesia to suspend trading, and those that remained opened were hammered. The rout in Australian markets caused traders there to call it “Black Friday.”

European stocks sank, with Britain’s FTSE-100 down 8.14 percent, German’s DAX down 7.6 percent, and France’s CAC-40 down 7.7 percent. In Asia, the collapse of Japan’s Yamato Life Insurance caused already nervous investors to pull even more money out of the market — the Nikkei 225 fell 9.6 percent.

Prospects of further government help and, perhaps, attractive prices helped the financial sector show some signs of life Friday. Big national banks were among the gainers, including Bank of America Corp., which rose $1.14, or 5.8 percent, to $20.77. Some smaller banks also rose, including Fifth Third Bank Corp., which rose 19 cents, or 2 percent, to $9.92.

Not all financials were enjoying a bounce, however. Morgan Stanley Inc. fell $4.41, or 35 percent, to $8.04 as investors worried that even with a major investment from Japan’s Mitsubishi UFJ Financial Group. Meanwhile, Goldman Sachs Group Inc. fell $19.25, or 19 percent, to $82.10.

Citigroup Inc. said late Thursday it was suspending its bid to acquire Wachovia Corp., which will be acquired by Wells Fargo & Co. Citigroup rose 57 cents, or 4.4 percent, to $13.50, while Wells Fargo jumped 65 cents, or 2.4 percent, to $27.90. Wachovia surged $1.25, or 35 percent, to $4.85.

General Electric Co., a bellwether for the U.S. economy and a company with a large financial operation, reported that its third-quarter earnings sank 22 percent. The conglomerate, one of the 30 companies that make up the Dow industrials, blamed the drop on more losses in its financing business, though earnings for the company met Wall Street projections. GE rose 19 cents, or 1 percent, to $19.20.

Energy stocks fell sharply again Friday after leading the market lower Thursday. The drop in oil and tightness in credit fed investors' worries about the sector. Exxon Mobil Corp. fell $8.70, or 13 percent, to $59.30, while Chevron Corp. fell $5.21, or 8.1 percent, to $58.79.

The Chicago Board Options Exchange's volatility index, known as the VIX, and often referred to as the "fear index," surged above 70 early Friday, a record high.

Wall Street also digested fresh economic data. The U.S. trade deficit edged down slightly in August, reflecting a drop in foreign oil from record levels. But the politically sensitive deficit with China increased as imports from that country hit an all-time high.

The Russell 2000 index of smaller companies fell 19.27, or 3.86 percent, to 479.93.

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AP Business Writers Joe Bel Bruno and Dan Strumpf in New York contributed to this report.