

REUTERS

US STOCKS-Wall St slightly lower as bank woes offset oil

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By Steven C. Johnson

NEW YORK, Sept 11 (Reuters) - U.S. stocks fell on Thursday in choppy trade as concerns about the financial sector dulled the allure of riskier assets, offsetting falling oil prices.

Shares of Lehman Brothers sank to a 3-1/2-year low after the struggling investment bank failed to announce any definitive deals that would raise capital to cover losses on mortgage-related investments.

Hopes that authorities might work out a plan to stabilize the U.S. investment bank briefly helped the stock trim losses, but did little to assuage broader fears about financials.

"There are worries about the survivability of Lehman," said Giri Cherukuri, head trader at OakBrook Investments in Lisle, Illinois. "People are evaluating the news from Lehman from yesterday, and they are thinking that Lehman is in big trouble again. The fallout is going throughout the financial stocks."

The S&P financial sector index was down 1.3 percent after slumping more than 4 percent. Shares of Washington Mutual, the biggest U.S. savings and loan, also fell sharply on fears it will be unable to find a buyer or raise enough capital to cover its own mortgage losses.

The Dow Jones industrial average was down 23.53 points, or 0.21 percent, at 11,245.39. The Standard & Poor's 500 Index was down 2.16 points, or 0.18 percent, at 1,229.88. The Nasdaq Composite Index was up 0.80 points, or 0.04 percent, at 2,229.50.

Shares of Lehman Brothers were last down 37.7 percent at \$4.52 after dipping to \$3.88, the lowest since January 1995.

The U.S. Treasury Department, asked about the steep fall in Lehman stock, said it was continuing to monitor markets and was keeping in touch with market participants.

The U.S. Federal Reserve declined to comment on Lehman, a day after the No. 4 U.S. investment bank failed to announce definitive deals to raise much-needed capital.

"There is speculation that maybe there's going to be some kind of resolution with Lehman, maybe the Treasury steps in and gets some people together as you head towards the weekend so that there's some resolution by Monday," said Bobby Harrington, head of block trading at UBS in Stamford, Connecticut, adding:

"It's just speculation. We don't know that for sure."

Washington Mutual Inc sank 12.9 percent to \$2.02 as investors worried about the companies' mortgage-related losses and capital needs.

Shares of American International Group Inc fell 12.6 percent to \$15.29. as investors fear the world's largest insurer may post another loss in the third quarter.

Despite the persistent financial concerns, other banks' stocks turned positive. JPMorgan Chase rose 1.4 percent to \$39.96 while Wells Fargo gained 3.3 percent to \$32.76, both helping to limit losses on the S&P 500.

Oil fell \$1.69 to \$100.89 per barrel, helping the stock market pare losses. But some investors saw oil's recent sharp slide from a record above \$147 a barrel in July as worrisome as it suggests slower growth in the global economy.

That could be bad news for energy shares, said **Joe Saluzzi**, co-manager of trading at **Themis Trading** in Chatham, New Jersey.

"People are watching oil, especially after energy's rally yesterday," he said. "They're maybe thinking that group's washed out now."

Among the biggest gainers on the S&P were shares of Allergan Inc, which jumped 10.2 percent to \$60.15 after the company said its popular Botox wrinkle smoother also worked as a treatment for adults suffering from chronic migraines, according to clinical data. (Additional reporting by Ellis Mnyandu and Walter Brandimarte; Editing by James Dalgleish)