

MARKETBEAT

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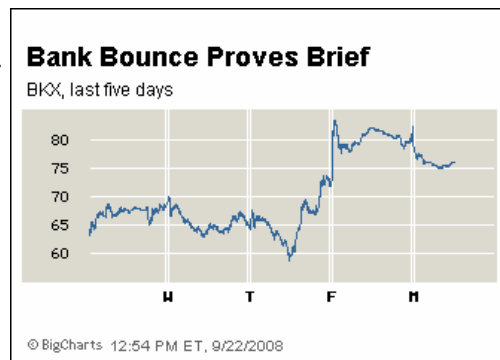
Bailout, Schmailout — Financials Whacked Again

Posted by David Gaffen

Cancel the financial stocks' subscription to the resurrection.

Shares of the large banks are under renewed pressure, and short-selling has nothing to do with it. The weekend has come and gone, and substantive questions exist about the Treasury's \$700 billion bailout plan, one that appears no closer to implementation, and investors are putting on the brakes.

The Select Sector SPDRs Financial fund is down 5% and the Philadelphia Stock Exchange/KBW Bank Index is down 8%, and after last week's confidence-boosting announcement and temporary ban on short-selling of financial stocks, "it feels to us today that things back to where we were before, with people looking at the problems," says Mark Madoff, head of listed trading for Bernard L. Madoff Securities.



To be sure, there are other factors. The decision by Goldman Sachs Group Inc. and Morgan Stanley to register as bank holding companies "introduces a couple of new competitors into the marketplace," says Todd Clark, director of trading at Nollenberger Capital Partners. Most of the Wall Street research this morning has been lukewarm, with downgrades of J.P. Morgan Chase and Wells Fargo & Co. by different researchers.

At heart of the declines, though, are the concerns about the bailout plan, and how it will be constructed, and whether it will do enough to shore up the assets of the nation's financial institutions. The weakness in the dollar and pullback in bonds suggests investors are taking a dim view of the news, seeing as how it lards up the U.S. balance sheet with more debt.

"If I was a long seller, and I wanted to sell on Tuesday of last week and then the stocks bounced, what am I going to do today? Of course I'm going to sell," says **Joseph Saluzzi**, co-head of equity trading at **Themis Trading**.