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US STOCKS - Wall St slips on credit woes, economy

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By Steven C. Johnson

Stocks fell on Wednesday as tight credit markets and bleak economic data kept investors on edge before the Senate votes on a revamped financial sector rescue plan that was initially rejected by lawmakers.

Trading was volatile a day after Wall Street gave its best daily performance in six years, and investors worried about how effective a \$700 billion bank rescue in the United States would be in averting recession.

Investors unloaded shares of technology, industrial and energy shares, including economic bellwethers General Electric, down nearly 4 percent, and heavy-equipment maker Caterpillar, off 4.5 percent.

Late in the day, GE shares moved off their lows after investor Warren Buffett said he planned to pump \$3 billion into the diversified manufacturer, though the gains were short-lived.

But investors' main focus was on the fate of the rescue plan, which was expected to come to a vote on the Senate floor after the market closed on Wednesday. The House of Representatives shocked markets by voting down an earlier version on Monday.

"Blind faith doesn't work this time after Monday's disappointment," said Andre Bakhos, president of Princeton Financial Group in Princeton, New Jersey. "People are cautious and they lack confidence that a bailout plan will be a one-stop solution. It won't be."

The Dow Jones industrial average ended down 19.59 points, or 0.18 percent, at 10,831.07. The Standard & Poor's 500 Index fell 5.30 points, or 0.45 percent, to 1,161.06. The Nasdaq Composite Index lost 22.48 points, or 1.07 percent, to 2,069.40.

Financial shares rose as investors hoped for a thumbs-up vote from the Senate. The S&P financial index advanced 2.2 percent, while Citigroup shares climbed 12 percent to \$23 and JPMorgan Chase rose 6.3 percent to \$49.63.

Reports showing weakness in manufacturing and the labor market, however, added to market anxiety, leaving some investors worried that more pain was inevitable even if the government's rescue bill is eventually voted into law.

"For the first time it's really starting to look like a recession," said Marc Pado, U.S. market strategist at Cantor Fitzgerald & Co, in San Francisco. "Maybe we don't get that number in the fourth quarter necessarily, but it's going to be tough at this point to avoid a recession."

Apple Inc, maker of the iPhone and iPod, were the top drag on Nasdaq, falling 4 percent to \$109.12.

Shares of IBM fell 5.8 percent to \$110.13 and were the top drag on the Dow.

GE shares fell 3.9 percent to \$24.50, while shares of Caterpillar, also seen as an economic bellwether, shed 4.5 percent to \$56.95.

GE had been down more than 8 percent earlier after Deutsche Bank cut its price target and outlook, but moved higher after it announced plans to sell \$3 billion in preferred shares to Buffett's Berkshire Hathaway, with another \$12 billion going to the public.

"This news on Buffett's move is nice. It's one of the things you want to see in a market bottom," said **Joe Saluzzi**, co-manager of trading at **Themis Trading** in Chatham, New Jersey "But we still need 20 more."

Energy shares also fell, with the S&P energy index down 1.7 percent, as U.S. crude oil futures for November delivery dropped \$2.11 to settle at \$98.53 a barrel.

The U.S. rescue plan, which would let the Treasury Department buy bad mortgage-related assets from banks, is the centerpiece of a bid to unlock credit markets and head off a deeper economic downturn in the United States and abroad.

Republican House members voted against the plan on Monday by about 2-to-1. A majority of Democrats voted in favor.

The Senate's modified legislation, scheduled for a vote late on Wednesday, will include a sharp increase in the amount of bank deposits insured by the Federal Deposit Insurance Corp and tax breaks that the House of Representatives rejected.

About 1.37 billion shares changed hands on the New York Stock Exchange, well below last year's estimated daily average of roughly 1.90 billion. On Nasdaq, about 1.93 billion shares traded, a bit below last year's daily average of 2.17 billion.

Declining stocks edged out advancing ones on the NYSE by about 1.1 to 1. On the Nasdaq, decliners beat advancers by a ratio of nearly 2 to 1.