



## Credit Worries Damp Stocks; Banks Rally

Cindy Perman | Writer

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Stocks ended lower Wednesday amid concerns about strained credit markets and the economic slowdown. Banks rallied as investors were encouraged by progress on bailout talks on Capitol Hill. GE got a vote of confidence -- to the tune of \$3 billion -- from Warren Buffett.

The Dow Jones Industrial Average and the S&P 500 ended down slightly, after more severe declines earlier, while the Nasdaq shed more than 1 percent.

"I think there's been a tug of war between the pessimism of the [economic] data ... vs. optimism that we're going to have a rescue package ... and discussion on whether or not the Fed is going to cut rates," said Alan Gayle, senior investment strategist at RidgeWorth Investments.

Financials were the day's big gainers, with Citigroup, Bank of America and JPMorgan locking in the top three spots on the Dow, amid hope that Congress will pass a new bailout and that regulators will extend the ban on short selling. Short selling occurs when shares are borrowed on a bet that they will go down, and then repurchased at the lower price.

Volume on the New York Stock Exchange was light, coming in around 1.4 billion, well below the average of 1.9 billion.

The Senate is expected to vote on a new version of the \$700 billion bailout bill tonight. The unusual time was set in deference to Rosh Hashanah, the Jewish new-year holiday, which ends at sundown today.

Meanwhile, House Republicans are working on an alternative bailout package.

The head of the New York Stock Exchange said he is confident that U.S. regulators will extend the ban on short selling in some financial stocks, which was set to expire tomorrow night, and suggested reinstating the "uptick rule," which requires that short sellers sell at a price higher than the previous trade.

And in Europe, regulators were attempting to set up a bailout similar to the U.S. for European banks but France and Germany locked horns, unable to reach an agreement.

American depository shares of UBS advanced 8 percent after the Swiss bank said it was cutting 1,900 jobs.

Shares of regional banks were mixed: National City shot up 65 percent, and Sovereign Bancorp advanced 22 percent, while State Street declined 2.3 percent. Genworth Financial shed 15 percent and Sallie Mae lost 33 percent.

General Electric, parent of CNBC, pared its loss to 4 percent following news that Warren Buffett will buy a \$3 billion stake in the conglomerate in a deal reminiscent of Buffett's investment in Goldman Sachs last week. In fact, Buffett said it's "almost identical" to the Goldman deal.

"The average investor is encouraged when they see someone with reputed investment acumen like Buffett stepping up to the plate in what is currently a very turbulent time," Gayle said.

Buffett "bought [Goldman Sachs] GS, now it's GE. Is he going to go for GM next?" **Joe Saluzzi**, co-manager of trading at **Themis Trading**, told Reuters. "These are one of those signs when you are looking for a market bottom. You want smart money to come in and say 'I'm coming in there and putting my money down.'"

Earlier, GE shares were the biggest drag on the Dow after Deutsche Bank lowered its price target on the stock and earnings outlook for the company, citing the drag of GE's finance arm, which does everything from loans to mid-sized businesses to investments in real estate.

General Motors shares ended flat after the auto maker reported its U.S. sales fell 16 percent in September, a smaller drop than expected, helped by an employee-pricing offer. Shares of rival Ford skidded 13 percent after the auto maker reported its U.S. sales dropped 34 percent last month.

Economic news was pretty discouraging: The Institute for Supply Management reported its gauge of manufacturing activity contracted for a second month to its lowest level since October 2001. A separate report showed construction spending was unchanged in August. Meanwhile, private U.S. employers clipped 8,000 jobs from their payrolls in September, a surprisingly low figure, ADP reported. And mortgage applications dropped to their lowest in a month, the Mortgage Bankers Association said.

Crude oil settled at \$98.53 a barrel after a report showed crude inventories rose by 4.3 million barrels, more than expected.

Tech stocks again took it harder than the rest of the market amid concerns that the economic downturn will crimp tech spending.

IBM was the biggest decliner on the Dow; Hewlett-Packard and Intel also declined.

Google shares rose 2.8 percent Wednesday after a wild ride in the prior session. The stock was reset at \$400.52 after Nasdaq canceled "erroneous orders" that sent the stock down to \$341.43 late Tuesday.

It's already time to start thinking about the holiday-shopping season, and Wal-Mart was out front, announcing price cuts on toys to win over cash-strapped consumers. The discount retailer said it will offer ten toys, including certain Barbie dolls and Tonka trucks, for under \$10.