

## US STOCKS-Dow, S&P slip, Nasdaq sheds some gains after rate cut

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By Kristina Cooke

NEW YORK, Oct 29 (Reuters) - The Dow industrials and the S&P 500 slipped, while the Nasdaq gave up some gains in volatile trading on Wednesday, after the Federal Reserve cut interest rates in an effort to keep a credit crisis from triggering a deep recession.

The hefty half-percentage-point cut had been widely expected, but some traders had speculated the rate reduction would be even deeper. The Fed's unanimous decision took its fed funds rate target for overnight bank lending down to 1 percent, the lowest since June 2004.

The stock market's gyrations came a day after Wall Street had its second-best day ever. Stocks had been up more than 1 percent before the Fed decision, on speculation of a deeper rate cut and reassuring news about merger talks between General Motors Corp and Chrysler.

"I guess the market priced in a 50-basis-point cut. You're getting to a level of how much more can they cut and is this doing really anything?" said **Joe Saluzzi**, co-manager of trading at **Themis Trading**, in Chatham, New Jersey.

The Dow Jones industrial average .DJI dropped 26.53 points, or 0.29 percent, to 9,038.59. The Standard & Poor's 500 Index .SPX dipped 0.24 of a point, or 0.03 percent to 940.27. But the Nasdaq Composite Index .IXIC was up 11.33 points, or 0.69 percent, at 1,660.80.

GM shares rose almost 10 percent to \$6.87 after sources familiar with the matter told Reuters that the U.S. automaker and private equity firm Cerberus Capital Management have resolved the major issues in a proposed GM-Chrysler merger.

Shares of energy companies headed higher as U.S. front-month crude CLc1 gained \$4.77 to settle at \$67.50 a barrel. But rising oil prices hurt the stocks of airlines and consumer companies.

Boeing (BA.N: [Quote](#), [Profile](#), [Research](#), [Stock Buzz](#)) climbed 3.6 percent to \$50.68, making it one of the Dow's top advancers, after government data showed surging demand for aircraft drove an unexpected increase in September orders for new orders for long-lasting manufactured goods.

Health-care company Johnson & Johnson (JNJ.N: [Quote](#), [Profile](#), [Research](#), [Stock Buzz](#)), down 4.2 percent at \$61.49, was the heaviest weight on the Dow after J.P. Morgan Securities downgraded the stock.

The costs for banks to borrow dollars from each other over three months fell for a 14th straight day on Wednesday, suggesting that confidence was slowly returning in the credit markets. (Reporting by Kristina Cooke; Editing by Jan Paschal)