Letdown Friday: Dow Dives 324 on Disappointing Data

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Never has creating 400,000 jobs in a single month looked so bad. Unimpressed with the feeble private-sector job creation contained in the May jobs report, the bears retook control of Wall Street on Friday, pushing the blue chips more than 300 points into the red and well below the 10000 threshold.

Today's Markets

The Dow Jones Industrial Average fell 324.06 points, or 3.16%, to 9931.22, the Standard & Poor's 500 sank 37.95 points, or 3.44%, to 1064.88 and the Nasdaq Composite slid 83.86 points, or 3.64%, to 2219.17. The FOX 50 dropped 24.94 points, or 3.08%, to 785.63.

The ugly session on Wall Street was mostly a reflection of a jobs report that failed to live up to the hype, but it was also driven by the euro plummeting to fresh four-year lows amid new signs of trouble in debt-ridden Hungary. The result was one of the Dow's third-worst day of the year, Wall Street's weakest close since Feb. 8 and a renewed sense of fear and risk aversion for equities and commodities.

"This economy is going nowhere. The growth we've got is an illusion and based on temporary workers," said **Joe Saluzzi**, co-manager of trading at **Themis Trading**. "It's just a disaster."

In a particularly bearish sign, the selloff accelerated throughout the day and stocks concluded just off session lows, signaling traders didn't want to be holding stocks heading into what could be another tumultuous weekend on the geopolitical front. Underscoring the jitters on Wall Street, the VIX, or the markets' so-called "fear gauge," surged more than 20%.

"The jobs numbers were pretty anemic. Unfortunately, there is no threshold for disappointment in the near-term and that does not bode well for the market," NYSE trader Ted Weisberg of Seaport Securities told FOX Business.

All 30 blue-chip stocks ended down at least 1.5%, led by **Caterpillar** (CAT: 56.38, 0.54, 0.97%), **American Express** (AXP: 37.77, 0.06, 0.16%) and **Boeing** (BA: 60.62, 0.51, 0.85%). The index's best performers were defensive in nature: **Verizon** (VZ: 27.3627, 0.2727, 1.01%) and **Procter & Gamble** (PG: 61.552, 0.902, 1.49%). The index ended the week off 2.%, its third-straight weekly decline.

The Nadaq Composite declined by slightly more than the broader markets as stocks like **Electronic Arts** (ERTS: 15.43, 0.07, 0.46%) and **Foster Wheeler** (FWLT: 22.42, 0.38, 1.72%) suffered heavy losses.

At first glance, Friday's jobs report was good news. After losing hundreds of thousands of jobs a year earlier, the U.S. created 431,000 jobs in May -- its best month of job growth since March 2000. The unemployment rate even fell from 9.9% to 9.7%. However, the markets were spooked by the report because 411,000 of the jobs created were Census jobs that will be going away, meaning the U.S. created a measly 41,000 private-sector jobs. Also, economists had called for much more robust overall growth of 513,000 jobs.

Even the drop in the unemployment rate wasn't a good sign because people dropped out of the job market due to discouragement, a particularly negative sign at this point of a recovery. All in all, the jobs report failed to live up to the hype and provided the bears with more ammo to hammer away at the beaten-down stock market. It also bolstered forecasts for a so-called jobless recovery.

Back to 2006 for the Euro

As if the disappointment with the jobs report wasn't enough, Wall Street was already dealing with another European headache: Hungary. The euro plunged below $1.20 to fresh four-year lows after a spokesman from Hungary's new government said an official's comments about a possible default were not "exaggerated at all." The official also said the previous government falsified economic data, further hurting market confidence.The euro tumbling to its lowest level since 2006 put more pressure on multinationals and commodities that rely on a weaker U.S. dollar.

"It's freaking the market out," said Nick Kalivas, vice president of financial research at MF Global. "This whole European crisis is playing out like the mortgage crisis here. It makes for a frustrating market."

European sentiment was also rattled by French bank **Societe Generale** (SCGLY: undefined, undefined, undefined%), which tumbled 11% to fresh 52-week lows amid rumors of possible losses on derivatives. The company declined to comment on the market chatter, but Bloomberg News reported it is denying talk of losses on derivatives.

Commodities were slammed by the combination of weak economic sentiment and currency fluctuation. Suffering its worst percentage day since Feb. 4, crude oil fell $3.10 a barrel, or 4.15%, to $71.51. Economically-sensitive copper slid 4.29% to $2.8125 a pound -- a new 2010 low. Benefiting from the uncertainty, gold jumped $7.90 a troy ounce, or 0.65%, to $1216.20.

Banks, BP Not Helping Things

As if they needed any more problems, financial stocks were spooked late in the day after influential analyst Dick Bove reportedly slashed his price targets on big banks **Goldman Sachs** (GS: 136.0492, -2.7408, -1.97%) and **Morgan Stanley** (MS: 25.1, -0.2125, -0.84%).

The markets were also keeping an eye on oil giant **BP** (BP: 34.87, -1.87, -5.09%), which headed south after the company's financial conference call about the massive oil spill in the Gulf of Mexico. BP's chairman, Carl-Henric Svanberg, left open the question of a dividend cut as the cost to clean up the disaster climbs above $1 billion. BP also said it plans to create a new organization exclusively to deal with the spill.

It's not clear yet if the markets will be able to bounce back from this week's ugly conclusion, but it seems that more wild swings could be in the cards.

"Going forward I see increased volatility. The market is going to have a difficult time in the short term to rally until these fears are allayed somehow," said Richard Sparks, senior equities analyst at Schaeffer's Investment Research.

“The market is showing a lot of signs of being very oversold,” said Craig Peckham, equity trading strategist at Jefferies & Co. He added that the markets need to see “clear data points showing the recovery is still underway… The euro zone story is not going to go away. The U.S. recovery story is being met clearly with skepticism."

Corporate Movers

AOL (AOL: 20.16, -0.46, -2.23%) eluded the selloff as it benefited from market chatter that it could be scooped up by software titan **Microsoft** (MSFT: 24.85, -0.44, -1.74%). The results of talks with multiple partners over a new web search deal could result in an outright sale of AOL, Business Insider reported.

Morgan Stanley's (MS: 25.1, -0.2125, -0.84%) price target was cut from $41 to $35 by Bove, who maintained his “buy” rating but predicted the stock will “remain under pressure,” Reuters reported. Bove said he sees a “quite poor” outlook for Morgan in the second quarter.

Goldman Sachs (GS: 136.0492, -2.7408, -1.97%) saw its price target get lowered by Bove from $200 to $182 amid worries about Europe, the “weak” business environment, lack of financial reform and the SEC civil fraud suit, Reuters reported. While he cut his 2010 EPS outlook on Goldman, Bove kept a “buy” rating on the stock.

Wal-Mart (WMT: 50.7483, 0.0283, 0.06%) unveiled plans for a $15 billion share repurchase plan. The retail giant said it has repurchased $10 billion in stock since a 2009 shareholder meeting.

McDonald's (MCD: 67.64, 0.91, 1.36%) announced a voluntary recall of about 12 million Shrek drinking glasses that had been found to contain toxic metal cadmium.

Global Markets

The U.K.'s **FTSE 100** fell 1.63% to 5126.00, Germany's **DAX** dropped 1.91% to 5938.88 and France's **CAC 40** tumbled 2.86% to 3455.61.

In Asia, Japan's **Nikkei 225** slid 0.13% overnight to 9901.19 and Hong Kong's **Hang Seng** lost 0.03% to 19780.07.