

Wall Street falls, eyes banking contagion



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By Rodrigo Campos

NEW YORK (Reuters) - Stocks fell on Wednesday, with selling accelerating late in the session on more warnings about the potential impact of the euro zone's debt crisis on the global economy and the banking system.

Worries about growth weighed on sensitive sectors like financials and materials. Losses deepened after ratings agency Fitch said even though the outlook on the U.S. banking industry is stable, it could worsen if the euro-zone's debt crisis is not resolved quickly.

Earlier, Moody's cut ratings on various German public sector banks, citing a lower likelihood of external support if it were required.

Joe Saluzzi, co-manager of trading at Themis Trading in Chatham, New Jersey, cited both rating agencies' moves as catalysts for the sharp selloff in late trading.

The S&P financial sector fell 2.5 percent and the KBW capital markets index dropped 3.6 percent.

Fears are growing that the euro zone's crisis is moving to economies that had been considered more protected from the problems. The yield spread of 10-year French government bonds over their German equivalents widened to a euro-era high.

The Bank of Japan voiced concern about possible negative effects on Japan's growth from Europe's debt crisis, while England's central bank slashed its growth forecasts.

Markets sagged overnight as investors reacted to rising yields overseas. The concern is that euro-zone leaders will be unable to enact reforms to reduce debt and promote growth. The U.S. equity market's swings have become increasingly tied to gyrations in European credit markets.

About 7.4 billion shares traded on the New York Stock Exchange, NYSE Amex and Nasdaq, below this year's daily average of 8 billion shares.

The Dow Jones industrial average lost 190.57 points, or 1.58 percent, to 11,905.59. The Standard & Poor's 500 fell 20.90 points, or 1.66 percent, to 1,236.91. The Nasdaq Composite dropped 46.59 points, or 1.73 percent, to 2,639.61.

Among declining stocks, computer maker Dell Inc, missed quarterly revenue estimates and its shares fell 3.2 percent to \$15.13.

Rambus Inc shares tumbled 60.6 percent to \$7.11 after the company lost an antitrust trial against Micron Technology Inc and Hynix Semiconductor Inc.

Micron shares jumped 23.4 percent to \$6.74.

Shares of Abercrombie & Fitch Co slumped 13.6 percent to \$48.10 after the teen clothing retailer's quarterly profit missed estimates by a large margin.

Declining stocks outnumbered advancing ones on the NYSE by a ratio of 16 to 5 and on the Nasdaq more than eight stocks fell for every three that rose.

(Reporting by Rodrigo Campos; additional reporting by Caroline Valetkevitch; Editing by Kenneth Barry)