

REUTERS

CORRECTED - UPDATE 6-Nasdaq snafu zaps index quotes for hour

Fri Jan 28, 2011 4:44pm EST

(Corrects index name in second bullet point, fifth paragraph)

- * Quotes for Nasdaq composite, 100 go blank for an hour
- * Options trades on Nasdaq 100, Mini NDX indexes canceled
- * Outage highlights fears about quote information delivery

By [Caroline Valetkevitch](#) and [Herbert Lash](#)

NEW YORK, Jan 28 (Reuters) - The lights went out on two key indexes at the Nasdaq stock market for an hour on Friday, just the latest mishap to befuddle exchanges since the May flash crash heightened concerns about market hiccups.

Nasdaq OMX Group ([NDAQ.O](#)), the parent company of the Nasdaq, said a glitch with its global index data service affected the dissemination of quote prices for the two indexes from 9:30 a.m. until about 10:20 a.m.

"It's like someone just turned off the light," said Kevin Kruzenski, head of listed trading at KeyBanc Capital Markets in Cleveland. The outage made "people hesitant to make decisions," he said.

During the outage, traders could not see quotes for the Nasdaq composite [.IXIC](#) or the Nasdaq 100 [.NDX](#), the two main indexes of mostly high-tech companies that are listed on the Nasdaq, the second-largest U.S. stock exchange.

Nasdaq said it would cancel all options trades in contracts related to the Nasdaq 100 [.NDX](#), including the Mini Nasdaq-100 Index [.MNX](#), a contract that is based on one-tenth the value of the Nasdaq 100, from 9:30 a.m. until 10:25:23 a.m.

The Mini Nasdaq-100 Index options contract is different from the E-Mini Standard & Poor's 500 futures contracts traded on the Chicago Mercantile Exchange that were central to the flash crash on May 6.

Michael James, senior trader at regional investment bank Wedbush Morgan in Los Angeles, said the mishap made it hard to keep track of the market's pulse.

"It just makes it difficult to have a true gauge on where the market is when you can't see where one of the main indices is actually pricing," James said. "It impacts people's decision-making."

"From an investor confidence standpoint, it's not a positive," James said.

At Nasdaq's location on Times Square in New York, the towering electronic screens that flicker quotes were blank for its indexes. Many of the screens instead posted quotes for the Dow Jones industrial average [.DJI](#).

"This is an inter-connected market. Everything links together, now more than ever, with all of the super computers out there. So if you take one chain off the link, it could cause problems," said **Joe Saluzzi**, co-manager of trading at **Themis Trading** in Chatham, New Jersey.

Jamie Selway, a market structure expert and managing director of Investment Technology Group in New York, said occurrences such as the Nasdaq outage are rare.

"You hear about lags in calculations, including a few problems in the past decade with the Dow. Like on May 6, there was a lag with the Dow feeds," said Selway, who is also a board member of the BATS exchange.

"In times of stress you hear about it, but I suspect this is instead due to some operational error," said Selway.

The New York Stock Exchange experienced significant delays in the dissemination of certain execution and quotation information during the flash crash on May 6, when the Dow shed almost 1,000 points before regaining most of its losses.

At the time of the crash NYSE was in the midst of upgrading its systems, delaying the dissemination of quotes and other data in 1,665 listed symbols, said a joint report released in October from the Commodity Futures Trading Commission and Securities and Exchange Commission.

Nasdaq OMX shares slid 2.9 percent to \$24.48. (Additional reporting by [Jonathan Spicer](#); Editing by Padraic Cassidy)