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Stocks plunge on Europe's woes

Stan Honda/Agence France-Presse/Getty Images

Stock market plunges, down 10% from peak

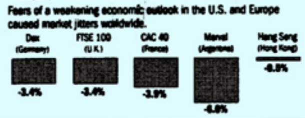
S&P CORRECTIONS SINCE 1970

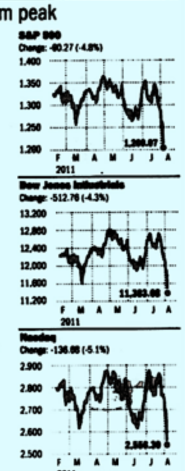
A correction is defined as a decline of 10 percent or more from a recent high level in a stock index such as the Standard & Poor's 500. Corrections are common during bull markets and do not necessarily indicate a long-term decline in stocks. There has been one other correction in the bull market that began in March 2009: a 16 percent decline in the S&P 500 between April 23 and July 2, 2010.

DECLINE PERIOD		PERCENTAGE DECLINE	LENGTH OF CORRECTION
4/28/71	11/23/71	-13.9%	209 days
11/11/74	12/6/74	-13.5	25
7/15/75	9/16/75	-14.1	63
9/21/76	3/6/78	-19.4	531
10/5/79	11/7/79	-10.2	33
2/13/80	3/27/80	-17.1	43
10/10/83	7/24/84	-14.4	288
10/7/97	10/27/97	-10.8	20
7/19/98	8/31/98	-19.3	43
7/16/99	10/15/99	-12.1	91
11/27/02	3/11/03	-14.7	104
4/23/10	7/2/10	-16.0	70

WORLD MARKET STOCK ROUNDUP

Fears of a weakening economic outlook in the U.S. and Europe caused market jitters worldwide.





Source: Standard & Poor

The Associated Press

Dow's loss of 513 points its worst since 2008

By Tim Grant
Pittsburgh Post-Gazette

Stock markets tumbled deeper into negative territory Thursday in response to the ongoing economic crisis in Europe and worsening economic conditions in the United States that have investors worried that the world could be headed back into a recession.

The Dow Jones Industrial Average had its worst day since the financial meltdown of 2008, losing 513 points to close at 11,383.68. The S&P 500 fell for the eighth time in nine days, to 1,200.07, marking a 10 percent decline from its intraday high reached on May 2.

"It doesn't matter that corporate profits are at an all-time high right now, or that more than 78 percent of the S&P 500 companies have posted positive earnings this quarter," said Jonas Elmerraji, a senior market analyst for Agora Financial in Baltimore.

"Ultimately, the market can easily shed some more points in the short-term," he said.

Investors raced out of equities for the safety of U.S. treasuries and gold, which hit an intraday record high of $1,681 an ounce before pulling back to about $1,650.

The two-year Treasury yield dropped to a record low of 0.29 percent from 0.34 percent as investors rushed in seeking a safe haven for their money. Bond yields fall when more investors demand them and are willing to accept lower yields to avoid losing money.

Investors' lack of faith in the economy came on the heels of a congressional deal to increase the nation's debt ceiling earlier this week that narrowly sidestepped the ugly economic scenario that probably would have resulted from the government defaulting on its debt.

But lawmakers' battles and their willingness to push the deadline may have put too much pressure on the emotions of consumers, said Michael D. Kresh, president of M.D. Kresh Financial Services in Islandia, N.Y.

"There's now a fear our government won't be able to move forward rationally to help us keep out of a second recession," Mr. Kresh said.

With domestic manufacturers reporting a slowdown and the global economic situation looking weak, the market selloff may be a sign that investors are starting to let fear take hold of their financial decisions.

That fear is unlikely to dissipate if the nation's unemployment picture does not improve substantially.

Weekly applications for unemployment benefits slid by 1,000 to a seasonally adjusted 400,000, its lowest level in four months, the Labor Department reported Thursday. The decline in applications for unemployment benefits suggests that fewer employees are being laid off. The report came a day before the government was scheduled to release the July employment figures, a number that market watchers will be studying closely.

The number of people receiving regular unemployment benefits rose by 10,000 to 3.73 million, the Labor Department reported. That does not include nearly 4 million additional unemployed workers who are receiving extended benefits under emergency programs enacted during the recession. A total of 7.5 million people received unemployment benefits in the week ending July 16.

Even if the United States is not headed back into a recession, the fear that the nation could be set for a repeat of 2008 could lead to more selling in the days and weeks to come, observers said.

"There is heightened sensitivity right now due to the debt ceiling headlines," said P.J. DiNuzzo, president of DiNuzzo Investment Advisors in Beaver. "It's also the reality of no immediate debt relief being provided by the government."

Troubling news in the United States was compounded by reports that the European Union, which already had intervened to help the economies of Greece and Ireland, may need to help Italy and Spain. That sent investors running.

Mark Luschini, chief investment strategist at Janney Montgomery Scott, Downtown, said most money managers use the S&P 500 to gauge the stock market, and that benchmark is clearly in retreat.

"Investors are reacting to a growth scare," Mr. Luschini said. "Investors are worried we are headed back to recession.

"In the event the economy continues to slow, that will hurt corporate profits. If that happens, stock prices need to be marked down to reflect those lower profits."

Thursday's market decline, which represents a 4.3 percent one-day loss in the Dow Jones Industrial Average — wiping out its gains for 2011 — as well as a 1,000-point loss in the S&P 500 over a two-week period, is "a fairly significant drop," said Jeff Mindlin, president of the Shadyside-based Mindlin Fund.

"This is not good," he said. "This is not fun. Obviously, the consensus in the market is there will be a global slowdown, if we are not already in it."

The Associated Press and Bloomberg News contributed to this report.

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