GM at lowest level since 1950 as the gloom continues
Alistair Gray

Wall Street stocks extended their eye-popping run of heavy losses to a seventh session as another another drastic afternoon sell-off pushed some stocks to their lowest level in decades.

Traders said a wave of mutual fund redemptions had driven the market to fresh five-year lows as retailer investors took scant comfort from unprecedented intervention in financial markets from the authorities around the globe and sought to cut their losses.

General Motors sank to its lowest point since 1950, down 31.1 per cent to $4.76, after the Standard & Poor's placed the company on credit watch. Ford, whose rating S&P may also cut, dived 21.8 per cent to $2.08. The duo have already reported declining sales and JD Power and Associates warned yesterday worldwide automotive demand could "collapse".

The market had earlier swung from losses to gains but major indicies dived beneath yet more psychologically significant barriers in heavy selling 'towards the close.

The S&P 500 closed down 7.6 per cent at 990.92. Its longest losing streak in 12 years has taken the index's decline since the collapse of Lehman Brothers to more than a quarter.

"It's just relentless, day in day out, regardless of the news," said Steve Sachs, director of trading at Rydex.

The Dow Jones Industrial Averages sank 7.3 per cent -its biggest percentage decline since 1987 - at 8,579.19. The Nasdaq Composite Index was 5.5 per cent lower at 1,645.12.

Traders said that shorting was not in large part responsible for the heavy losses, in spite of the SEC's lifting of the ban before the session began.

Energy and financials led the declines, each down by more than 11 per cent.

Insurance company XL sank 53.8 per cent to $4.01 while Allstate fell 8.2 per cent to $27.50 after losses of more than a fifth in the previous session.

Hartford Financial lost 19.1 per cent at $20.11 after UBS slashed its price target from $70 to $26 and on speculation that talks between it and Metlife had fallen through. Metlife, which priced new shares at a discount during the previous session, found positive territory, up 3.7 per cent to $28 after heavy losses on Wednesday.

Investors were also examining reports that the US government could take stakes in hanks. Hank Paulson, Treasury secretary, on Wednesday stressed that rescue legislation allowed the authorities to recapitalise financial institutions.

Merrill Lynch and Morgan Stanley fell 25.9 per cent to $13.32 and 25.9 per cent to $12.45 respectively. Bank of America stood 11.2 per cent lower at $19.63 while JPMorgan rose 2.1 per cent to $40.14.

Federal litigation on the dispute between Citigroup and Wells Fargo over the fate of Wachovia was extended by two days. Citigroup lost 10.2 per cent to $12.93 while Wells Fargo sank 14.6 per cent to $27.25. Wachovia dropped 28.9 per cent to $3.60.

National City had earlier bucked the downward trend but closed down 3.6 per cent to $2.15 on reports it might sell itself. Energy producers were sold off sharply as oil fell below $85 a barrel on heightened fears of global recession. ExxonMobil lost 11.7 to $68 Materials earlier found positive territory but later closed down 6.9 per cent. Steel stocks were hit after Goldman Sachs cut its steel price forecast by 29 per cent, due in part to the slowdown in emerging markets and cut its recommendation on a slew of stocks.

Technology had clung onto gains for much of the session, rising as much as 3.3 per cent, but later also succumbed and was down 3.4 per cent by the close. Earlier, relatively positive results from technology bellwether IBM provided a glimmer of hope that corporate earnings may not be as dire as the worst five-day sell-off for stocks since 1987 had implied.

International Business Machines, which also reaffirmed its profit forecast, fell 1.7 per cent to $89 after earlier gains.

Quest Software jumped 5.1 percent to $11.12 after the group unveiled plans plans for a $400m share buy-back.

Elsewhere, Abercrombie & Fitch continued a string of poor performances in the retail sector with a sharp drop in like-for-like sales last month. The shares tumbled 14.8 per cent to $27.69.

Fonte: Financial Times, London, October 10 2008, Companies & Markets, p. 24.