



Dow's drop fueled by credit jitters, oil prices

by: Staff and wire reports
10/20/2007

The Dow Jones industrial average dropped more than 360 points Friday -- the anniversary of the Black Monday crash 20 years ago -- as renewed credit concerns, lackluster corporate earnings and rising oil prices spooked investors.

The market turned sharply lower in late afternoon when Standard & Poor's again reduced its ratings on residential mortgage-backed securities. The latest reduction, on more than 1,400 types of securities, added to investors unease about credit quality.

Fred Russell, principal of Fredric E. Russell Investment Management Co. in Tulsa, said the downturn may have been fueled by increasing concern about the impact of the subprime lending implosion on financial markets as a whole.

"A perception among investors that the housing and real estate market, as bad as it's been with rising foreclosures and declining prices for commercial and residential real estate in virtually every market, isn't close to the end," he said.

Jake Dollarhide, CEO of Longbow Asset Management Co. in Tulsa, said the calendar date was a strong psychological factor that encouraged a fear-based sell-off.

"Today wasn't a good day from the perspective of history, so there were already some nervous investors out there."

In addition, mixed results from Dow components Caterpillar Inc., Honeywell Inc., and 3M Co. gave investors little incentive to take chances on the market. And oil prices added to investors' list of concerns after briefly moving above the psychological barrier of \$90 per barrel for the first time.

In one bright spot, Google Inc. reported stronger-than-expected profits, drawing a number of analyst upgrades.

"I was not surprised there was some correction, given our expectation that earnings growth was going to fall short of expectations," said Alan Gayle, senior investment strategist, director of asset allocation for Trusco Capital Management.

"I think stock analysts were slow to incorporate the impact of the subprime crisis on third-quarter earnings," he added.

Dollarhide said not all economic indicators are negative, and may prevent a long-term drop.

"We're seeing some good earning reports, and there are many sectors that are flourishing. It could still be a good quarter for the investor."

But Russell said the real estate slump and shooting oil prices may dampen the markets in the near future.

"There's good reason to believe some pessimism is warranted, but when the clouds will pass is anyone's guess."

According to preliminary calculations, the Dow fell 366.94, or 2.64 percent, to 13,522.02. The Dow was down for the fifth straight session.

Broader stock indicators also fell. The Standard & Poor's 500 index fell 39.45, or 2.56 percent, to 1,500.63, and the Nasdaq composite index dropped 74.15, or 2.65 percent, to 2,725.16. The Nasdaq fell below the noteworthy technical level of 2,750, adding to selling pressure.

Friday's pullback pales in comparison to what traders on the floor of the New York Stock Exchange had to contend with 20 years ago. On Oct. 19, 1987 -- Black Monday -- the Dow plunged 23 percent amid concerns about interest rates and slowing economic growth. A decline of similar proportion given the market's current levels would mean a drop of some 3,000 points.

A decline Friday in the NYSE composite index proved steep enough, however, to trigger trading curbs, which puts restrictions on certain types of sell orders. These protections were set up in part in response to Black Monday.

Bonds prices rose again Friday, extending a rally to an unusual five sessions. The yield on the benchmark 10-year Treasury note, which moves inversely to the price, fell to 4.40 percent from 4.50 percent late Thursday. The dollar was mixed against other major currencies, while gold prices fell.

After touching \$90.07 overnight, light, sweet crude fell 87 cents to settle at \$88.60 on the New York Mercantile Exchange. Prices have spiked due amid forces such as a weak dollar and thin supplies at a key Midwest oil terminal.

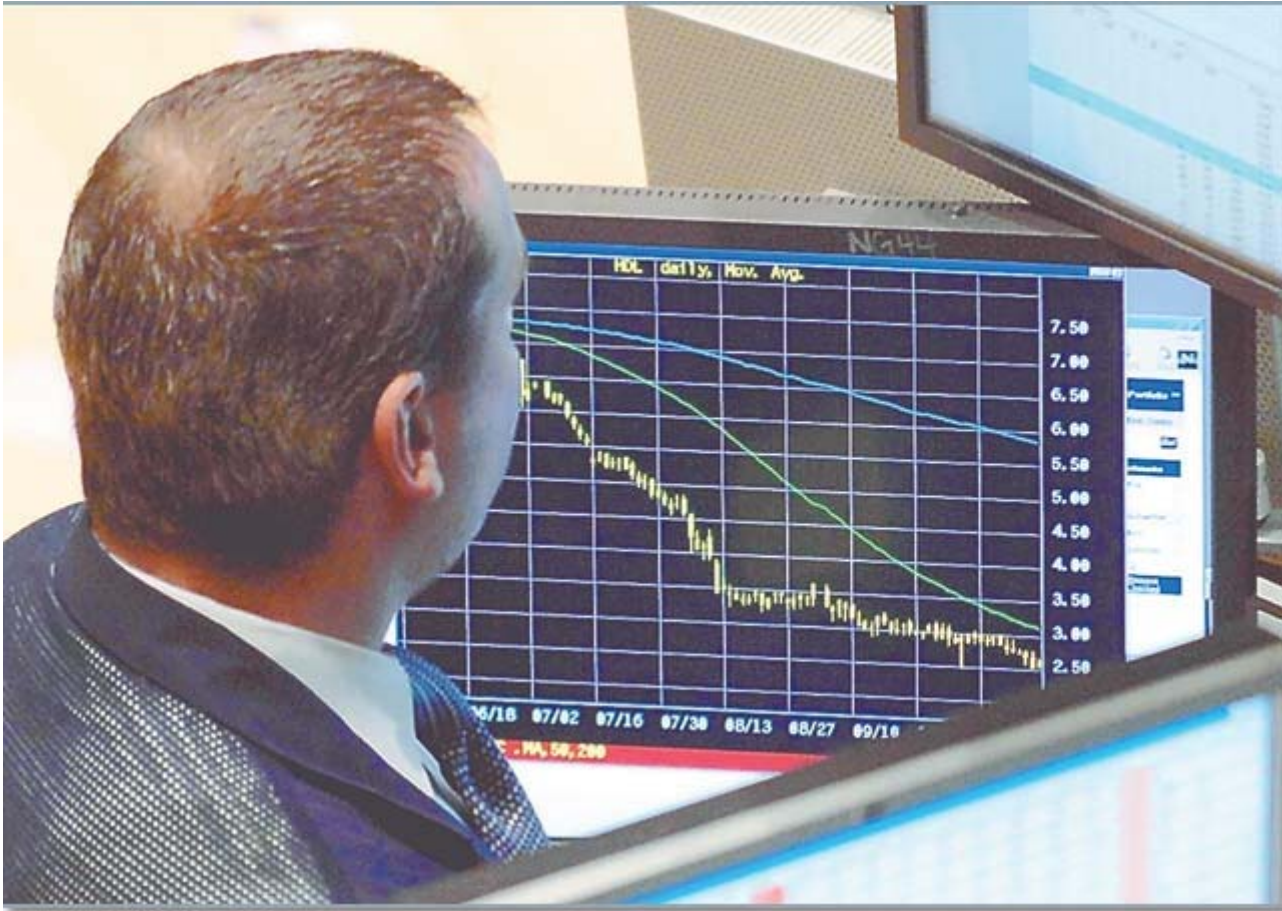
Tulsa World Business reporter Robert Evatt contributed to this story by the Associated Press.

DOW'S FRIDAY DECLINE

-366.94

The Dow Jones industrial average's decline Friday was the third biggest point and percentage drop this year, and the ninth biggest point drop in the bluechip index since "Black Monday" 20 years ago.

Associate Images:

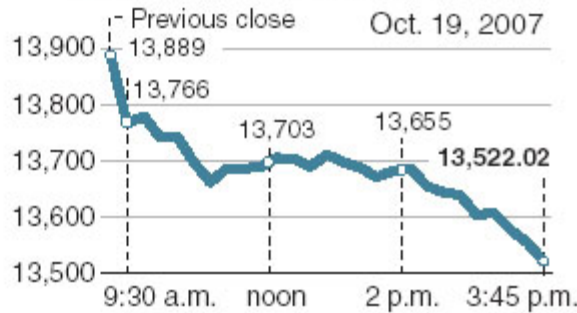


A trader watches a downward trend on his monitor on the floor of the New York Stock Exchange on Friday in New York.

Dow drop

The Dow fell 366.94, or 2.64 percent, to 13,522.02 on Friday. It was down for the fifth straight session and for the week was off 4.05 percent.

Dow Jones Industrial Average



Dow closes, 2007



SOURCE: Thomson Financial

AP



A large group of traders gathers around a trading post on the floor of the New York Stock Exchange on Friday in New York.

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