

Dow: Nervous breakdown

by: Staff and Wire Reports

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Wall Street suffered one of its worst losses of 2007 Thursday, as investors succumbed to months of worry about the mortgage and corporate lending markets.

The Dow Jones industrials closed down more than 310 points after earlier skidding nearly 450. It was the yardstick's worst plunge since losing 416 points on Feb. 27.

Investors who had been able for months to largely shrug off discomfort about subprime mortgage problems and a more difficult environment for corporate borrowing finally decided it was time to sell after the Commerce Department issued another disappointing home sales report.

Feeding the plunge were concerns that higher corporate borrowing costs will curb the rapid pace of takeovers that had driven stocks higher this year.

Investors also feared the sluggish environment for home sales and continued defaults in subprime loans would spur debt defaults and weigh on corporate earnings.

Locally, analysts warned against investors overreacting to the drop.

"If you are going to be panicked by the first sign of bad news, you probably ought not to be a stock market investor. Bad news is inevitable," said Fred Russell of Fredric E. Russell Investment Management Co. in Tulsa.

Instead, investors, if they have time, should pore over the financial statements of their investments and seek some bargains, Russell said.

He noted that volatility in the stock market can be unnerving, but it also can provide great opportunity if investors remain cool.

Jim Eagleton, vice president of investments for A.G. Edwards & Sons Inc. in Tulsa, said a long-term view is important.

"Predicting slides in the stock market -- it's kind of like predicting tornadoes. We know we're going to have tornadoes, we just don't know when," Eagleton said.

"But the fact we're going to have a tornado is not as important as the other fact -- when the tornado happens we're going to rebuild."

Just as one-day drops are hard to forecast, longer-term slides -- called bear markets -- are difficult to see coming, he said.

"We know they (bear markets) are going to happen, but we also know that over time the market is going to come back."

Even with Thursday's 2.3 percent slide, the Dow still has a positive total year-to-date return of more than

8 percent, Eagleton pointed out.

"In an average year, we expect to make 10 percent in the market. This is just not that bad," Eagleton said.

He added that investors should base their investment decisions not on the market's short-term performance, but on their long-term needs.

"What's important is not what the market did today. What's important is what somebody's objectives are," Eagleton said.

He recommends that long-term investors, or those who won't need the money for five years or more, put their money in the stock market.

For more than 20 years, Eagleton has followed his own rule, investing 100 percent of his retirement money in stocks.

Even after Thursday's drop, Eagleton said, "I'm not changing anything."

That was not the case for many, however, as investors poured money into the safe haven of the bond market. The soaring price of Treasuries pulled yields lower, and the rate on the 10-year note plunged to 4.79 percent from late Wednesday's 4.90 percent.

"Worries that have been out there for the past couple of years are coming to a head right now," said investment strategist Edward Yardeni, president of Yardeni Research Inc. "It's show time."

Thursday's trading was the latest and most extreme in a series of frenetic sessions over the past month -- many also accompanied by triple-digit swings in the Dow -- as investors sold on worries about the subprime fallout or bought on optimism that there wouldn't be any widespread problems caused by mortgage failures.

Many analysts have described the back-and-forth trading as overwrought and based more on gut emotion than careful consideration of market and economic fundamentals.

Wall Street, now at the peak of second-quarter earnings season, has been extremely volatile lately.

On Thursday, declining issues beat advancers by a 14 to 1 basis on the New York Stock Exchange, where volume came to a record 2.79 billion shares, up from 2.03 billion on Wednesday.

Not all stocks suffered. Apple Inc. surged \$8.74, or 6.4 percent, to \$146.00. The iPod and iPhone maker's earnings easily surpassed Wall Street projections late Wednesday due to strong sales from its computer offerings.

World Staff Writer Laurie Winslow contributed to this report by The Associated Press.
