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Greenspan a catalyst?

Dow takes 416-point dive

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Like an explosion that starts an avalanche, a plunge in Chinese stocks on Tuesday set off a cascade of losses in exchanges around the globe, culminating in Wall Street's most dismal trading day since the Sept. 11, 2001, terrorist attacks.

By the end of the trading day in New York, about \$632 billion of market value had been lost in the United States alone, according to Standard and Poor's, as investors large and small - fretting that the Chinese and U.S. economies may be cooling - unloaded shares.

Chinese stocks fell almost 9 percent, their biggest drop in a decade. The Dow Jones Industrial Average lost 416.02, or 3.3 percent, to 12,216.24. The Nasdaq was nearly off 100. The main indexes on European exchanges also fell about 3 percent.

The bloodletting continued when trading began in Asia today. Australia's benchmark S&P/ASX200 index slumped 3.45 percent in the first 30 minutes of trading. In Japan, the Nikkei 225 stock index fell 693.50 points, or 3.83 percent, to 17,426.42 points on the Tokyo Stock Exchange about 20 minutes after the start of trade. New Zealand's stock market fell more than 3 percent in hectic trading early today.

Former Federal Reserve Chairman Alan Greenspan, who said a recession in the U.S. was "possible" later this year, may have been the catalyst for the global sell-off. On Monday, Greenspan said, "It is possible we can get a recession in the latter months of 2007."

On Tuesday, one day after sending Shanghai's benchmark index to a record, investors dumped stocks to lock in profits amid speculation about a fresh round of austerity measures from Beijing to slow the nation's sizzling economy. The Shanghai Composite Index tumbled 8.8 percent, or 268.81 points, to close at 2,771.79, its largest decline since it fell 8.9 percent on Feb. 18, 1997, at the time of the death of Communist Party elder Deng Xiaoping.

Chinese regulators shifted into damage control today, with a government-run newspaper denying rumors of plans for a 20 percent capital gains tax on stock investments.

But Greenspan's comments also took a heavy toll on Asian markets.

"Our economy is also dependent on the U.S. economy, if there is adverse news, exports from our country is going to drop," said S. Sharath, an analyst with MIDF-Amanah Investment Bank in Kuala Lumpur, Malaysia.

In the United States, traders and investors decided it was time to bail amid signs of trouble in the U.S. economy, but market analysts said Tuesday's retreat, after a huge rally that stretched back to October, was a long time coming. Any market that's seen an advance that carried the Dow to 31 new closing highs can expect to pull back, even sharply.

The decline was nonetheless explosive, sending the Dow briefly down more than 546 points during afternoon trading. In addition to the news from China and Greenspan's remarks, it was sparked by a report that U.S. durable goods orders fell in January by the largest amount in three months.

The housing market also looked pretty dismal Tuesday after a Standard & Poor's index showed single-family home prices across the nation were flat in December. And a report from the National Association of Realtors said median home prices fell for the sixth straight month.

The swiftness of the Dow's decline was attributed to computer glitches that kept some trades from being immediately reflected in the index of 30 blue chip stocks.

The broader Standard & Poor's 500 index fell 50.33, or 3.47 percent, to 1,399.04, and the tech-dominated Nasdaq composite index was off 96.66, or 3.86 percent, at 2,407.86.

This obviously was a global event, but what might it mean for Utah?

The global sell-off in stocks really doesn't affect Utah. If the message, though, is that we are looking at a worldwide slowdown, then that will affect companies tied to the economic cycle.

TOBY LEVITT

Albion Financial Group CEO

What is your reaction to the Dow's drop?

No one is really thrilled when prices fall. My reaction is that this is probably an expected and may be a fairly normal correction.

KELLY MATTHEWS

Economist for Wells Fargo's intermountain region

Any advice for investors?

Once you are in this position, just sit tight. If you haven't done anything before it dropped, then just sit tight and relax and it will come back. It always does.

MARK KNOLD

Senior economist, Utah Department of Workforce Services

This obviously was a global event, but what might it mean for Utah?

"It would have to fall down and stay down before you would start to think if it has any kind of a lasting impact."

"If you stop and say, 'OK, we've had a one-day drop in the stock market after a long run up it,' then it probably doesn't mean very much."

JOHN MITCHELL

U.S. Bank regional economist

What is your reaction to the Dow's drop?

"The market has been overextended and had been in a very long uptrend since last spring. The higher the markets go, the more susceptible they are to talk of a slowdown."

TOBY LEVITT

Albion Financial Group CEO

"The same thing happened [with the sell-off] in 1987. As it turned out, nothing happened. Should we get a long-term decline, though, then you'd have to start worrying. But it is way too early for that."

JOHN MITCHELL

U.S. Bank regional economist

What is your advice for investors?

"View this as part of a long-term cycle. If you have companies that are showing good earnings and cash-flow growth, use downturns as buying opportunities."

"Rather than selling more, we should be looking for the best opportunities to buy more. The underlying strength of Utah's, the nation's and, in fact, the world's economies remains quite healthy."

KELLY MATTHEWS

Economist for Wells Fargo's intermountain region