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# Housing, jobs send stocks skidding

**Dow plunges more than 280 points, halting a Wall Street rebound, as housing and unemployment worries sink stocks.**

By David Goldman, CNNMoney.com staff writer  
 Last Updated: July 24, 2008, 5:37 PM EDT

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NEW YORK (CNNMoney.com) -- Renewed fears about the battered housing market and rising unemployment sent stocks into a tailspin Thursday.

The Dow Jones industrial average (INDU) lost 283 points, tumbling 2.4%. The Dow finished 30 points higher Wednesday as investors cheered falling oil prices despite a cautious report on the economy from the Federal Reserve.

The broader Standard & Poor's 500 index (SPX) index fell 2.3% from Wednesday's close. The Nasdaq composite index (COMP) sank 2% in Thursday trading.

The double whammy of slumping existing home sales and a jump in jobless claims renewed investor jitters that tough economic times are far from over.

That sent financial sector stocks plummeting, dragging the rest of the market down with them. With recent steep bank losses, dour economic indicators led investors to fear that the nation's lingering credit crisis would continue for the long-haul.

"Investors don't see any turn in the housing market," said Robert Philips, president and chief investment officer of Walnut Asset Management.

The subprime mortgage meltdown led to a crisis in lending and credit, the main sources of revenue for banks.

"That compounds all the issues that confront financials," Philips added.

Stocks opened mixed in the first few minutes of trading, as techs got a boost from a strong quarterly earnings report from Amazon.com, while an \$8.7 billion loss from Ford Motor pressured blue chips. But stocks quickly turned much lower as the weak economic news was absorbed.

Investors will see if the economy can produce some better news Friday, as reports on durable goods orders, consumer sentiment and new home sales are due. Economists, however, expect all three indicators to weaken further Friday.

**Economic woes:** A report from the U.S. Labor Department showed new unemployment claims

## MARKET WRAP

Thursday July 24, 2008

INDEX	CHANGE	TOTAL
Dow	-283.10 -2.43%	11,349.28
Nasdaq	-45.77 -1.97%	2,280.11
S&P	-29.65 -2.31%	1,252.54

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Markets	Last	Change
Dow Jones	11,349.28	▼ -283.10 / -2.46%
Nasdaq	2,280.11	▼ -45.77 / -1.97%
S&P 500	1,252.54	▼ -29.65 / -2.31%
10-year Bond	98 17/32	Yield: 4.00%
U.S.Dollar	1 euro = \$1.565	▼ -0.001

July 24, 2008 4:04 PM ET

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rose much more than expected last week. New applications filed for jobless benefits rose by a seasonally adjusted 34,000 to 406,000 - a level not seen since hurricanes devastated the Gulf Coast in September 2005. [\(Full story\)](#)

"Investors are concerned over the weaker economic data that's coming through Thursday," said Bill Stone, chief investment strategist with PNC Wealth Management. "With more jobless claims, people can't pay their bills, which means more write-offs for companies."

Also driving down stocks was a report from the National Association of Realtors that showed homeowner sales fell 2.6% to a lower-than-expected 4.86 million annual rate in June. The economy has remained in a slump as home sales continue to decline, leading to a slowdown in consumer spending as American homeowners' purchasing power dries up. [\(Full story\)](#)

Furthermore, the percentage of vacant homes available for sale in the second quarter of 2008 fell just slightly from the record high set in the first quarter, according to Census Bureau figures released Thursday. [\(Full story\)](#)

That helped drag down shares of homebuilders, as the large inventory of homes must be sold off before contractors can profit from building new ones.

Shares of Lennar ([LEN](#), [Fortune 500](#)) fell 18.2%, Centex ([CTX](#), [Fortune 500](#)) dropped 16.4%, KB Homes ([KBH](#), [Fortune 500](#)) sank 15.4%, D.R. Horton ([DHI](#), [Fortune 500](#)) lost 13.8% and Hovnanian ([HOV](#), [Fortune 500](#)) fell 8.7% all Thursday.

**Financial sector:** Economic weakness put a damper on a strong recent run by financial shares, as investors worried that the longer the weak economy drags on, the longer the credit crisis will be exacerbated.

Shares of Washington Mutual ([WM](#), [Fortune 500](#)) led the downward charge with a 13.3% loss Thursday. Last week, the bank reported a much bigger loss than Wall Street expected as it set aside more money for bad loans.

Other banks that have posted large losses recently also fared poorly Thursday. Citigroup ([C](#), [Fortune 500](#)) fell 9.8%, JPMorgan ([JPM](#), [Fortune 500](#)) lost 6.7% and Wachovia ([WB](#), [Fortune 500](#)) tumbled 11.1%.

"When economic data gets worse, investors have to feel worse about a bank that's in trouble with its credit issues," said Stone. "It makes sense that distressed financials would have a rougher day on a day like this."

Shares of UBS ([UBS](#)) fell 7.1% after New York State Attorney General Andrew Cuomo announced he is bringing a multi-billion dollar civil lawsuit against the Swiss bank for allegedly pushing everyday investors into buying troubled auction-rate securities. [\(Full story\)](#)

Even news of the housing rescue bill crossing a hurdle did little to inspire investors. The House on Wednesday voted 272-152 to pass sweeping legislation that will throw government support behind struggling mortgage finance giants Fannie Mae and Freddie Mac. [\(Full story\)](#)

Still, shares of Fannie Mae ([FNM](#), [Fortune 500](#)) sank 19.9% and Freddie Mac ([FRE](#), [Fortune 500](#))

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dropped 18.4% Thursday.

"Investors bought up Fannie and Freddie on the expectation that the government would pass a rescue bill," said Phillips. "Now they're selling on the news."

**Ford:** The struggling U.S. automaker Ford reported an \$8.7 billion net loss for the second quarter, marking its biggest quarterly loss ever. The third largest automaker by sales also said it would restructure its North American product line as rising gas prices have severely hampered consumer interest in big trucks and SUVs. It will include more fuel-efficient vehicles and bring 6 European models to North America by 2012. Shares of Ford ([F](#), [Fortune 500](#)) fell 15.3% in Thursday trading.

([Full story](#))

"The auto sector's numbers may be shocking, but think about all the headwinds they've been facing with high gas prices and low consumer confidence," said Stone. "The sector has already helped drag the economy into a recession."

**Other corporate news:** Internet retailer Amazon.com ([AMZN](#), [Fortune 500](#)), posted better-than-expected second-quarter earnings after the market's close Wednesday. Amazon also boosted its 2008 revenue projections, as CEO Jeff Bezos said high gasoline prices may be luring shoppers to its Web site. Shares soared 11.6% Thursday. ([Full story](#))

There were well hundreds of corporate financial results announced before and after the bell Thursday, and they were generally a mixed bag.

Big names before the Thursday's open included conglomerate 3M ([MMM](#), [Fortune 500](#)), which posted a sizeable profit and beat analysts' expectations. But, Dow Chemical ([DOW](#), [Fortune 500](#)) and Rohm and Haas ([ROH](#), [Fortune 500](#)) reported net income that disappointed Wall Street. Drugmaker Eli Lilly ([LLY](#), [Fortune 500](#)) posted strong results, but missed earnings estimates by a penny.

Dow component McDonald's ([MCD](#), [Fortune 500](#)) was downgraded by Deutsche Bank and AT&T ([T](#), [Fortune 500](#)) was lowered by JPMorgan. Shares of McDonald's fell 2.2% and AT&T lost 4.1%

The two largest satellite radio companies, XM ([XMSR](#)) and Sirius ([SIRI](#)) agreed to pay the Federal Communications Commission a \$19 million fine for violating radio transmission rules Thursday. The move was widely expected to clear the path for a merger between the two companies. Shares of XM lost 3.4% and Sirius dropped 9.7%.

Market breadth was overwhelmingly negative. On the New York Stock Exchange, decliners topped advancers by a margin of 4 to 1 on a volume of 1.6 billion shares. On the Nasdaq, losers edged out winners on a 2 to 1 ratio on a volume of 2.6 billion shares.

**Energy:** Oil prices rose \$1.05 to settle at \$125.49 Thursday after falling nearly \$4 Wednesday on continued concerns about reduced demand. Oil has plummeted about \$22 from its high of \$147.27 set on July 11. ([Full story](#))

The average price of a gallon gasoline fell 1.6 cents to \$4.026 a gallon in the United States, declining for the 7th straight day, according to a daily survey from motorist advocacy group AAA. ([Full story](#))

**Other markets:** In currency trading, the dollar continued to rise against European currencies. The U.S. currency rose against the euro and British pound, but fell slightly against the Japanese yen.

COMEX gold for August delivery fell 50 cents to settle at \$922.30 an ounce.

Treasury prices rose Thursday, bringing the yield on the benchmark 10-year note down to 4.01%. Bond prices and yields move in opposite directions. ■

First Published: July 24, 2008: 9:34 AM EDT

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