NYC 9/11 Public Portal Document

DAILY NEWS, TUESDAY, SEPTEMBER 18, 2001

ONE WEEK LATER

Stox socked in return

By JUDITH SCHOOLMAN
DAILY NEWS BUSINESS WRITER

The shock of last week's terrorist attacks translated yesterday into the biggest loss propelled by the biggest volume of trading on Wall Street — ever.

In torrents of what traders called loud, yet methodical selling, the Dow plunged 684.81 points, more than 7%, to 8,920.70, its first close below 9,000 since December 1998.

The Nasdaq also was hit hard, tanking almost 7%, or 115.75 points, to 1,579.55 — its lowest close since October 1998.

Yesterday's selloff erased $590.6 billion from the value of U.S. stocks. A record 2.3 billion shares — almost twice the normal activity — traded on the New York Stock Exchange.

Seconds after NYSE chairman Dick Grasso started the resumption of trading yesterday morning by announcing, "Today, America goes back to business," stocks tumbled 6%.

As the shouts of sell orders replaced the silence of the past week, there was little panic and little surprise as major indexes sank.

"There was a logic to everything that went on, but the magnitude of the declines was eye-catching," said veteran market analyst Larry Wachtel of Prudential Securities.

Investors, already nervous about slowed economic growth and shrinking profits before the terrorist attacks, were even more willing to turn stock investments into cash amid the growing sense that the assaults may tilt the economy into recession.

Even as government officials and grass-roots investors sought to promote a "buy American" attitude on Wall Street, Wachtel said uncertainty over how the country will respond to the attacks kept many investors from buying stocks, some of which hit record lows.

Much of yesterday's selloff came from overseas investors, who dumped U.S. stocks over worries about potential military retaliation for the attacks.

"We can't control global markets," said market analyst Barry Hyman of Ehrenkranz King Nussbaum. "What's in question is whether the U.S. is still the safest market, and global investors are thinking twice."

He added that the selloff "was as expected, with the 4% to 5% drop that's been happening in Europe."

No industry took it harder yesterday than airlines, some of which have trimmed flights by 20% because of reduced demand as travelers react to the attacks. The Standard & Poor's transport index, which is heavily weighted to airline stocks, fell by a third, while US Airways lost more than half its value.

The selloff also "hit into the retail side on the premise [that] consumers won't be actively spending now," Wachtel said.

But defense contractors gained, as did energy companies.

Amid the anxiety over yesterday's market trouncing, analysts said the Federal Reserve's surprise half-percentage-point rate cut, announced an hour before the markets' official 9:30 a.m. opening, kept the damage — relatively — contained.

Another boost to the markets came from the Securities and Exchange Commission, which gave companies the green light to repurchase their own stock. This emergency rule change was designed to keep stock prices afloat.

Several major companies said they would repurchase stock, including GE, Intel, Cisco and American International Group.

Also, the state's $112 billion Common Retirement Fund said it will invest $1 billion in the stock market over the next few days, including $250 million spent yesterday.

"We're long-term investors, and the present condition of the market presents a buying opportunity," state Controller Carl McCall told the Daily News.

As sole trustee of the nation's second-biggest pension fund behind California's, which is also expected to jump into the market, McCall said, "We're not day-to-day investors, but we believe the market will rebound."

American Express senior financial adviser James Wright agreed. He said individual investors were smart to see "something to worry about" in the markets — "but statistically, more than half the time, six months later the markets are up."

"History tells us whenever there is a significant event like this, what the market hates most is uncertainty. This gets investors to sell in the short run," Wright said.



AP

SHOCK Trader reacts to final numbers as closing bell rings on New York Stock Exchange's first day back since terror attacks.



BACK IN BUSINESS As NYSE head Richard Grasso speaks, uniformed rescue

A surprise Fed rate cut

By JUDITH SCHOOLMAN
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The Federal Reserve, in a surprise move to calm financial markets on the first day of stock trading since last Tuesday, sliced its key interest rate yesterday by half a percentage point — to 3%, the lowest level since February 1994.

Wall Street analysts credit the rate cut with holding the markets to a 7% fall.

"It was an insurance policy. With the markets opening, the Fed thought it was better to be safe than sorry," said Greenwich Capital economist Stephen Stanley. "The market was looking for some support from the Fed."

Economists also saw the rate cut as a preemptive strike as the terrorist attacks threaten to erode consumer confidence. Plunging consumer spending, driven by spreading unemployment, is threatening to send the economy over the edge into recession.

"Even before the tragic events of last week, unemployment, production and business spending remained weak, and

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to trading



ROBERT ROSAMILIO DAILY NEWS

worker and (behind him) Sen. Chuck Schumer help ring in return to trading.

helps curb market loss

last week's events have the potential to damp spending further," the Fed said.

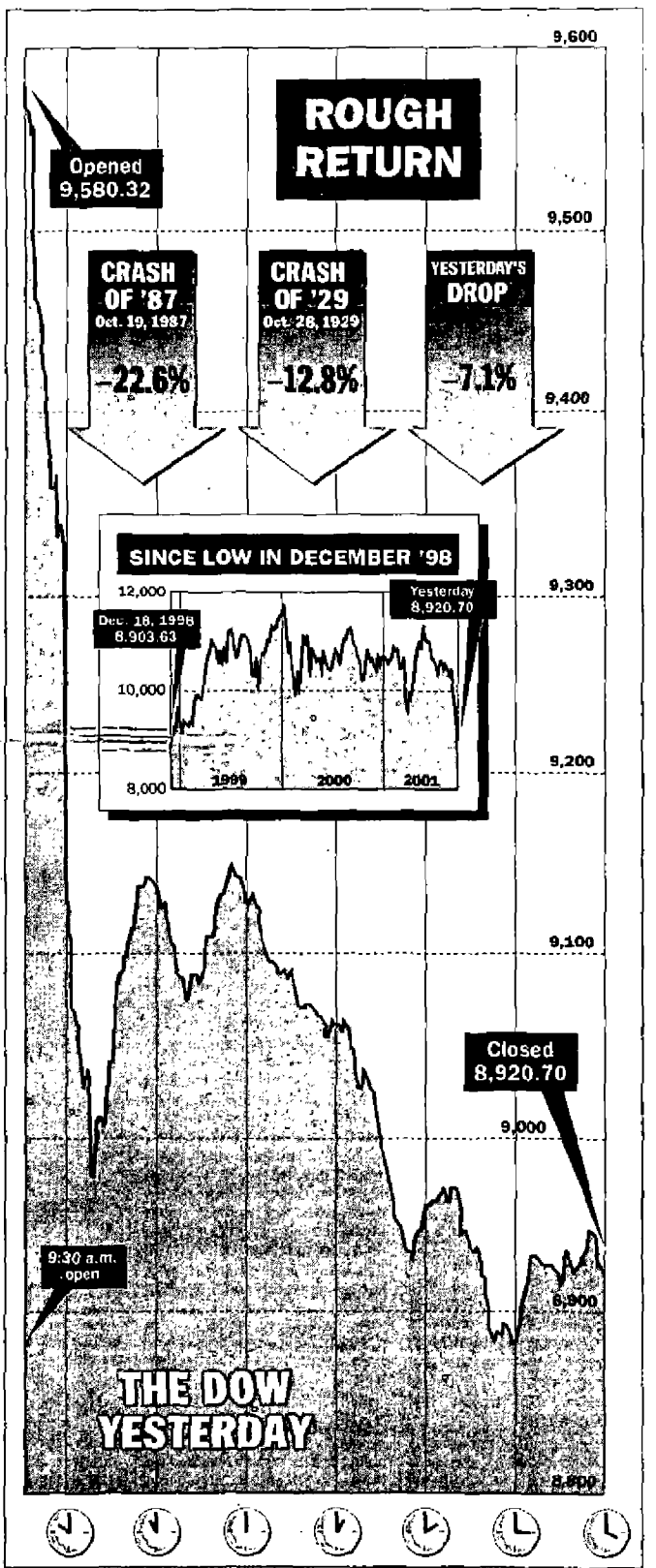
The central bank's aggressive move, its eighth cut this year, has brought key interest rates down 4 points since January.

"It's crass to talk about it in economic terms, but we see this as a positive given the stimulus to the economy," said Henry Paulson, chairman of brokerage giant Goldman Sachs.

Soon after the Fed's announcement, which came more than an hour before stock markets opened, banks cut their prime rates from 6.5% to 6%, affecting personal and home equity loans and some credit cards.

The Fed's move was a surprise mainly in terms of timing. Never before has the Fed moved before the market opened for trading or during a time of such turmoil.

Still, given the economy's fragile condition even before last Tuesday's devastation, many economists had predicted the Fed would cut rates for an eighth time this year either at or before its next regularly scheduled policy-setting meeting in early October.



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