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# Dow Takes Another Drubbing From European Debt Crisis

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NEW YORK (TheStreet) -- Stocks retreated sharply Wednesday after renewed concerns about the European debt crisis obliterated gains made the previous day.

The Dow broke above 11,000 points in the afternoon but remained in red territory throughout the session. As many investors predicted, yesterday's rally was short term only, with stocks yet to find a bottom.

By the close, the **Dow Jones Industrial Average** had plunged 520 points, or 4.6%, at 10,719. The **S&P 500** was lower by 52 points, or 4.4%, at 1121, and the **Nasdaq** was off by 101 points, or 4%, at 2381.

- Gold Prices Surge as Equities Continue Selloff
- Oil Prices Rebound on Inventory Data

"This may not be the final bottom," said Ralph Fogel, head of investment strategy at Fogel Neale Partners. But, the "increased volatility indicates a change in direction is likely," he continued. Because there has already been a "climatic selling event," Fogel says there is likely little selling left.

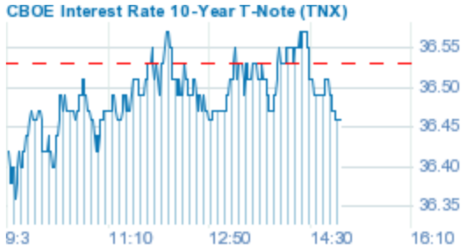
"At long as the market stays in this range and does not make a new low, we think that it will move up at least on a short term basis," said Fogel. "At this point, it's like monitoring a patient."

Fresh worries about a debt contagion across the pond stemmed from concerns over European banks, which took a beating after costs to insure French, Greek, Italian, and Spanish debt rose. Speculation that France's triple-A credit rating might get downgraded hit French bank stocks particularly badly. Shares of **Societe Generale** and **Credit Agricole** closed roughly 15% lower and **BNP Paribas** lost nearly 10%.

The FTSE in London lost 3.1%, and the DAX in Frankfurt sunk 5.1%. In Asia, markets jumped on the late-Tuesday surge in U.S. stocks. Hong Kong's Hang Seng rose 2.3%, and Japan's Nikkei gained 1.1%.

The uncertainty over the global economic outlook triggered a rush to safe havens as gold prices hit a fresh high, trading as high as $1,801 an ounce. Gold for December delivery gained $41 to settle at $1,788 an ounce.


After Treasury yields plunged to a record low yesterday, the benchmark 10-year Treasury rallied further, last up 22/32. The yield dropped to 2.161%, a level close to those reached during the 2008 financial crisis. The dollar strengthened against a basket of currencies, with the dollar index up by 0.9%.

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Markets were on firmer footing after appearing unsure in how to digest Federal Reserve's announcement to keep interest rates near zero through at least mid-2013. On the one hand, investors welcomed the extra clarity but on the other, were disappointed in a statement that underscored expectations for prolonged sluggish growth.

Some 6.3 billion shares changed hands on the New York Stock Exchange and 2.5 billion shares traded on the Nasdaq. More than 82% of NYSE shares were declining while 16% were advancing.

Oil prices were rebounding on inventory data. The Energy Information Administration said crude oil supplies fell by 5.2 million barrels in the week ended Aug. 5, disappointing analysts' expectations for an increase of 1.8 million barrels, according to a Platts poll.

The EIA report was in line with late Tuesday data from the American Petroleum Institute, which said crude inventories lost 5.21 million barrels last week.

Also on Wednesday, the International Energy Agency cut its global oil demand forecast for 2011, citing higher prices and weaker economic growth, but raised its estimate for demand growth in 2012 because of "oil-fired power needs in Japan."

The September crude oil contract was gaining $2.40 to trade at $81.70 a barrel.

In economic news, the Census Bureau said wholesale inventories rose 0.6% in June, falling short of expectations for an increase of 1%. In May, inventories rose 1.7%.

Financial and conglomerate sectors were showing the steepest losses. The **Financial Select Sector SPDR ETF**(XLF) was losing 4.4% to $12.53. **Bank of America**(BAC) and **American Express**(AXP) were among the Dow's biggest laggards alongside **Walt Disney**(DIS), **Boeing**(BA) and **United Technologies**(UTX). **Cisco**(CSCO), **Pfizer**(PFE) and **Verizon Communications**(VZ) were showing the mildest losses.

Bank of Americaagreed to sell part of its mortgage portfolio to mortgage finance giant **Fannie Mae** as the bank tries to shed assets and reduce its reduce its exposure to various mortgage-related problems, according to a *Wall Street Journal* report. Bank of America's stock was shedding 7.6% to $7.02.

Europe's biggest bank, **HSBC**(HBC) , agreed to sell its U.S. card and retail services business to **Capital One Financial**(COF) for a premium of $2.6 billion. The deal's total value, including the premium, is roughly $32.7 billion, according to a statement from HSBC. Shares of HSBC were down 6.9% to $41.83 while Capital One's stock was rising 1% to $41.19.

Shares of **Macy's**(M) were losing 1.9% to $24.96 despite the easily surpassing consensus estimates with third-quarter earnings of 55 cents a share on revenue of $5.94 billion. Wall Street forecasted a profit of 49 cents a share on sales of $5.87 billion. The company also upped its full-year earnings-per-share outlook to between $2.60 and $2.64 a share.

Swiss food and beverage company **Nestle**(NSRGY) blamed volatile markets for its drop in half-year earnings on Wednesday and said the strength of the Swiss franc, in particular, negatively impacted profits.

The U.S. budget deficit narrowed in July, according to the Treasury Department. The gap narrowed to $129.4 billion from $165 billion one year ago. Economists expected to see the deficit narrow to $132 billion in July.

*-- Written by Chao Deng and Melinda Peer in New York.*