

Stocks drop after new record for oil prices

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NEW YORK — Wall Street resumed its sell-off Wednesday after oil hit a new record and a bearish analyst report renewed concerns that General Motors Corp. could run out of cash.

The stock market's pullback, which accelerated in the final hours of the week's last full trading session, left the Dow Jones industrial average officially in bear market territory, with the blue chips having fallen more than 20 percent from their October highs.

Oil surged to new records above \$144 a barrel as the government reported a bigger-than-expected drop in U.S. supplies and as investors worried about tensions in the Middle East.

Fears that GM could go so far as to declare bankruptcy only added to investors' unease. The stock closed below the \$10 mark for the first time since September 1954 when Dwight Eisenhower was president. Investors shrugged off better-than-expected sales figures from June and fretted about the company's cash needs.

The Dow fell 166.75, or 1.46 percent, to 11,215.51, the lowest close since August 2006. It now stands 20.82 percent below its Oct. 9, 2007 record of 14,164.53. The last bear market ended in October

2002.

Broader stock indicators also posted big losses after showing gains for much of the morning. The Standard & Poor's 500 index fell 23.39, or 1.82 percent, to 1,261.52, while the technology-laden Nasdaq composite index fell 53.51, or 2.32 percent, to 2,251.46.

The S&P is just shy of the 20 percent pullback that signals a bear market. While the Nasdaq is also in bear territory, it hit that mark in March, moved higher and has now returned to a bear level.

Bond prices rose as investors exited stocks. The yield on the benchmark 10-year Treasury note, which moves opposite its price, fell to 3.96 percent from 4.01 percent late Tuesday. The dollar was mixed against other major currencies, while gold prices rose.

Wall Street is worried that rising energy prices are causing consumers to pare their spending in other areas.

Gasoline prices hit a fresh high ahead of the July 4th holiday weekend, increasing half a penny to a new national record of \$4.092 a gallon on average, according to AAA, the Oil Price Information Service and Wright Express.

Crude oil hit a record \$144.32 a barrel in after-hours trading after reaching a record settlement of \$143.57, an advance of \$2.60 on the New York

Mercantile Exchange. The Energy Department reported Wednesday that U.S. crude oil supplies fell more than expected last week.

Businesses are also struggling with elevated energy costs, and demand is weakening for autos, heavy machinery and steel. The Commerce Department said Wednesday that factory orders rose by 0.6 percent in May. The result was in line with a consensus of Wall Street economists surveyed by Thomson Financial, but was much smaller than the gain of 1.3 percent for April.

Traders were cautious ahead of the three-day weekend. The stock market closes three hours early, at 1 p.m. EDT, on Thursday before the Fourth of July holiday on Friday.

"It's your typical holiday week for the summer time," said Stephen Carl, principal and head of equity trading at The Williams Capital Group in New York. "I think we're all familiar with the economic problems out there," he said, and given how weak stocks have been, the market is "staying the course."

Lately, that course has been a downward one. Though stocks mostly posted modest gains in the first two sessions of the week, Wall Street saw a steep sell-off last week. The Dow lost 4.2 percent



by Friday while the S&P and Nasdaq fell more than 3 percent amid concerns about the ability of the economy to move ahead with energy prices racing higher.

While Thursday's session is a shortened one, it could bring added insights into the well-being of consumers and the overall economy. The government's June employment report is due and is expected to show the sixth month of jobs losses but a slight improvement in the unemployment rate. Employment is crucial because consumer spending accounts for more than two-thirds of U.S. economic activity.

With concerns about rising energy prices, falling home values and a jittery Wall Street, Harry Clark, president of Clark Capital Management in Philadelphia, contends that many average investors have already

pulled their money from the markets.

"I don't think this is an investors' market right now," he said. "I think there is a lot of money on the sidelines and once you get some kind of good catalyst — anything to make the market look better — they'll come rushing into the market."

Clark said Thursday's employment report could show that the economy is holding up better than some investors have predicted.

"I still think it's going to be negative but not as negative as people are expecting," he said. "Things aren't as bad as people think they are. We're talking ourselves into a market decline and a recession."

In corporate news, GM fell in part after a Citi. Investment Research analyst cited liquidity concerns in slashing his price target on GM stock to \$14 from \$21. While he

said the company isn't likely facing an immediate cash shortage, the concerns from 2008-09 have grown in recent months. The stock fell \$1.77, or 15 percent, to \$9.98 a day after jumping 12 percent on a better-than-expected sales report.

Microsoft Corp. has approached other media companies about a bid to acquire Yahoo Inc., according to a report in The Wall Street Journal. Yahoo rose 68 cents, or 3.4 percent, to \$20.88, while Microsoft fell 99 cents, or 3.7 percent, to \$25.88.

Blockbuster Inc. said it is withdrawing its proposal to buy Circuit City Stores Inc. Blockbuster said the proposed deal, at a price of more than \$1 billion, didn't make sense because of market conditions. Blockbuster jumped 14 cents, or 5.6 percent, to \$2.65, while Circuit City fell 23 cents, or 9 percent, to \$2.32.