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Market Overview

DJIA	12,544.77
+0.52%	▲ +64.47
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S&P	1,368.97
+0.49%	▲ +6.67
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NASDAQ	2,366.29
+0.35%	▲ +8.23
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Markets: The Market Story

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Stocks Slide Again

By [Robert Holmes](#)

TheStreet.com Staff Reporter

1/22/2008 5:09 PM EST

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Stocks in the U.S. slid for the fifth straight session

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Tuesday as an emergency **Federal Reserve** interest rate cut failed to fully quell recession worries, but Wall Street managed to avoid the massive losses feared after a broad selloff in overseas markets.

The **Dow Jones Industrial Average** initially looked poised for a deep plunge, falling as many as 464 points at the open. It recovered somewhat to end down 128.11 points, or 1.06%, to 11,971.19. It was the first time the Dow closed below the 12,000 level since Nov. 3, 2006.

Twenty-two of the Dow's 30 components were in the red, led by losses of 3.2% or more in **Coca-Cola** ([KO](#) - [Cramer's Take](#) - [Stockpickr](#)), **Merck** ([MRK](#) - [Cramer's Take](#) - [Stockpickr](#)) and **Verizon** ([VZ](#) - [Cramer's Take](#) - [Stockpickr](#)).

Elsewhere, the **S&P 500** fell 14.69 points, or 1.11%, to 1310.50. The **Nasdaq Composite** fared the worst, sliding 47.75 points, or 2.04%, to 2292.27.

"In some regards, this is a moral victory," said Robert Pavlik, chief investment officer with Oaktree Asset Management. "We recovered nearly 350 points on the Dow, but it would've been a bigger plus to have seen buyers step in and bring the market into positive territory."

Financial stocks, juiced by the Fed's move, helped pare Wall Street's losses. **Washington Mutual** ([WM](#) - [Cramer's Take](#) - [Stockpickr](#)) jumped 9%, **Bear Stearns** ([BSC](#) - [Cramer's Take](#) - [Stockpickr](#)) added 7.5%, **Wells Fargo** ([WFC](#) - [Cramer's Take](#) - [Stockpickr](#)) rallied 5.8% higher, and **Merrill Lynch** ([MER](#) - [Cramer's Take](#) - [Stockpickr](#)) was up 4.9%.

Bank of America ([BAC](#) - [Cramer's Take](#) - [Stockpickr](#)) was higher by 4% despite a weaker-than-expected fourth-quarter earnings report.

Retailers, another battered sector, also gained ground. **Lowe's** ([LOW](#) - [Cramer's Take](#) - [Stockpickr](#)), **Home Depot** ([HD](#) - [Cramer's Take](#) - [Stockpickr](#)), **Target** ([TGT](#) - [Cramer's Take](#) - [Stockpickr](#)), and **Sears Holdings** ([SHLD](#) - [Cramer's Take](#) - [Stockpickr](#)) all climbed by 7% or more.

"There is a floor out there for certain sectors and there is still money to be put to work, so that's a positive thing to take away," said Steven Sheldon, CFA and principal with SMS Capital Management. "The fundamentals may not be there for a sustained rally, but investors could find some value in some sectors, like retail."

Despite the rise in financials and retail, breadth was overwhelmingly negative. On the **New York Stock Exchange** 6.51 billion shares changed hands, as decliners topped advancers by a 10-to-7 margin. Volume on the Nasdaq reached 3.16 billion shares, with losers beating winners 2 to 1.

Michael Sheldon, chief market strategist with Spencer Clarke LLC, said the markets are in the process of pricing in a potential recession and a bear market, but there are some positive signs starting to emerge.

"Calling a market bottom today is certainly a tough call, but the odds are rising for some kind of short-term rebound in the U.S. equity markets," said Sheldon.

Still, the Dow has now fallen 9.7% during 2008, the S&P 500 has dropped 10.8%, and the Nasdaq has lost 13.6%.

Since its all-time record close on Oct. 9, the Dow has plunged 15.5%. That level is approaching a so-called bear market, typically characterized as a 20% market decline from a high.

"We're in the middle of a bear market and this is where people are getting emotional about it," said Phillip Roth, chief technical market analyst with Miller Tabak. "We're in an area where the market could stabilize, but we're going to see a lot of volume and volatility."

Amid fears of a recession that spurred panic selling overseas, the Federal Reserve took the unusual step of making a 75-basis-point cut outside of its regularly scheduled meeting. The central bank said it made the move in light of a "weakening economic outlook and increasing downside risks to growth."

Wall Street had widely been expecting a 75-basis point cut at the Fed's next meeting, scheduled for the end of the month. But with recession worries putting stocks under significant pressure since the beginning of the year, many had been calling for an inter-meeting cut.

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