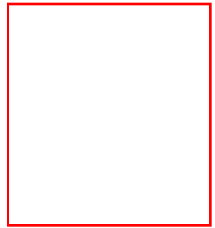


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*Updated from 4:09 p.m. EST* Stocks in New York sank Thursday as worries about margin calls and low-priced asset sales kept credit-related jitters alive, pressuring the financials and dragging down Wall Street. The **Dow Jones Industrial Average** lost 214.60 points, or 1.8%, to 12,040.39, and the **S&P 500** was off 29.36 points, or 2.2%, at 1304.34. The **Nasdaq** tumbled 52.31 points, or 2.3%, at 2220.50. The S&P and the Nasdaq haven't been this low since September 2006. Breadth was very poor. About 4.06 billion shares changed hands on the **New York Stock Exchange**, with decliners beating advancers by a 9-to-1 margin. Volume on the Nasdaq reached 2.16 billion shares as losers beat winners 4 to 1. One of the primary culprits for the retreat was **Thornburg Mortgage TMA**, who couldn't meet a \$28 million margin call from **JPMorgan Chase JPM**. That set off a series of defaults and sent Thornburg's shares plunging 51.5% to \$1.65 as investors fretted about its future. Meanwhile, **UBS UBS** delivered another blow as reports came out that the Swiss financial-services giant might have sold \$24 billion in mortgage securities on the cheap. Shares of UBS closed down 4.3% at \$29.52. At the same time, word emerged that a publicly traded **Carlyle Group U.K.**-based bond fund has been handed a default notice after it wasn't able to meet four margin calls. With few signs the credit crisis that began in earnest last year is abating, traders found no impetus to buy, and as has been the case for months, the financial sector was at the center of the storm. "What's unnerving everybody is that the root of the [market] declines are tied to our biggest financial institutions," said Steven Sheldon, CFA and principal with SMS Capital Management. "Excesses in the financial sector are kind of scary, because we need healthy banks to drive the economy forward." The biggest securities firms lost ground after Keefe Bruyette lowered their earnings estimates, cutting its view on **Bear Stearns BSC**, **Goldman Sachs GS**, **Lehman Brothers LEH**, **Merrill Lynch MER** and **Morgan Stanley MS**, in order to account for possible writedowns related to their commercial real estate exposure. Shares of those names lost at least 3.8% apiece, and Merrill was one of the hardest hit, falling 7%. Also smarting from negative analyst research was **Washington Mutual WM**, shares of which slumped 8.1% after Standard & Poor's cut some of the bank's ratings and placed it on credit watch negative, citing broad worries about the continued slide of the housing market. Not to be left out, **Citigroup C** shed 4.4%, and **Bank of America BAC** gave back 2.7%. The NYSE Financial Sector Index lost 3.3%, the KBW Bank Index surrendered 3.7%, and the Amex Securities Broker/Dealer Index slid 4.9%. It was only last month that Thornburg was heralded as a stalwart survivor of the subprime mess, having confirmed a return to profitability in the fourth quarter following mammoth losses in the prior one. The lender had also reinstated its dividend in December. So the fact that the firm has plunged back into the abyss is very worrying, said Sheldon. Investors "don't have any sense of where or when we're going to hit bottom with regard to financials," he said. "And

you've got to see strength in financials before the rest of the market can recover." He noted that investors were hoping that the epidemic of bad loans would stay contained to the residential real estate market, but "now it's clear that it's spreading to commercial real estate, and we're seeing it impacting the stock prices of other financial intermediaries. And when you see these banks get lower and lower, people get scared and think of the worst -- potential big failures and the ramifications of that." In the prior session, the major averages lost their early strength after bond insurer **Ambac** ABK announced a cash-injection plan that was less impressive than expected, though stocks recovered enough to end on an uptick. This time, Ambac finished down 14.7%. Shares stayed under water even after *CNBC* reported that the company's stock-and-equity offering will have a backstop, according to sources, meaning if the offer isn't fully subscribed, banks will agree to pick up the difference. The network also said the deal will ultimately be worth more than \$1.5 billion. **MBIA** MBI, another monoline, declined 4.8%. The new day also brought monthly sales from the bulk of the nation's chain stores. **Wal-Mart** WMT said its comparable sales jumped 2.6% in February, more than doubling analysts' consensus estimate of a 1.1% increase. Total sales for the world's biggest merchant rose 8.9% to \$29.2 billion last month. Additionally, Wal-Mart set plans to boost its annual dividend 8% to 95 cents a share. Wal-Mart's stock added 0.9%. At **Target** TGT, same-store sales rose 0.5%, whereas analysts were expecting a 0.2% decline. Total sales were up almost 6% to \$4.4 billion. Shares of Target lost 1%. Most retailers exceeded their anticipated numbers, but among those coming up short was **Gap** GPS, who had a 6% decline in comps. The estimate was for a drop of 2.8%. Shares of Gap fell 5.6%.

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