

## Dow drops sharply in post-election sell-off

BY LAURIE WINSLOW World Staff Writer  
Thursday, November 08, 2012  
11/8/2012 2:38:50 AM

One day after the presidential election, the U.S. stock market responded with a dramatic drop.

Concerns about the election's effects on possible tax hikes and spending cuts as well as worries about European economic issues prompted investors to sharply sell off stocks on Wednesday.

The Dow Jones industrial average plummeted as much as 369 points, or 2.8 percent, in the first two hours of trading. It recovered steadily in the afternoon but closed the trading day down nearly 313 points at 12,932 - its biggest point drop since this time last year.

European leaders warned Wednesday that unemployment could remain high for years, and they cut forecasts for economic growth for this year and 2013. The head of the European Central Bank said not even powerhouse Germany is immune.

Fred Russell, principal of Fredric E. Russell Management Co. in Tulsa, was taking advantage of the market's drop to buy stocks.

"The greater the misunderstanding in the markets, the greater the opportunity," he said. "And this is one great misunderstanding."

There is a general misunderstanding that a Republican administration will be better for business, the stock market and global trade, than a Democratic one, but that's not true, Russell said. He noted that some of the greatest bull markets have come under Democratic presidents, including Bill Clinton and John F. Kennedy.

People often assume that a Democratic administration leads to more regulations, which interfere with the efficiency and productivity of business, than Republican leadership does, Russell said.

"Such a belief is a great stereotype," he said. "It's never been quantified. It's based on prejudice and misinformation. The country has done very well under Democratic leadership."

Since 1900, the stock market has gone up 13 times and down 15 times on the day after 28 other presidential elections, according to research by Bespoke Investment Group, a market research company.

Concerns about Europe, which could face high unemployment for years and shrinking economic output this year and next, also are affecting investors.

Wednesday marked the worst day for stocks this year, but not the worst after an election. When

Obama was elected Nov. 4, 2008, at the depths of the financial crisis, the Dow plunged more than 400 points on each of the next two trading days.

The Dow hit bottom at 6,547 in March 2009, less than two months after Obama took office. Then it doubled over the next three-plus years as the crisis eased and a fragile economic recovery took root.

The stock market's performance came as no surprise to Phillip Bell, a certified financial planner and vice president of Financial Planning Resources Inc. in Tulsa. The market is reacting to the economy's upcoming "fiscal cliff" - when tax increases and deep spending cuts are scheduled to take effect at the beginning of next year unless Congress reaches a budget agreement.

"People need to keep in mind that not a lot is different today than yesterday," Bell said. "The president does not have nearly the power that he did four years ago. We have a balance of power in our government, and investors should expect more of the same."

Typically, when a Democrat is re-elected, it's favorable for the stock market, but Bell cautioned that the market will be volatile over the next 24 months, and especially over the next six months as it digests changes that come from higher taxes.

But investors actually could see a 20 percent gain in stocks over the next 24 months, Bell added.

The outcome of the election shouldn't affect peoples' financial plans as long as they are invested in solid American companies whose value is based upon earnings, said James "Skip" Nichols, president of Financial Planning Resources. He noted that corporate earnings have gone up about a hundredfold since World War II.

A new middle class is growing around the world in places such as India, China, Brazil and Taiwan, which bodes well for corporate earnings, Nichols said. People are moving into cities and getting better-paying jobs, which enables them to buy goods. For investors to sell their stock just because of the election is "financially stupid."

"I think we have a glorious future ahead for equities," Nichols said.

Jim Huntzinger, chief investment officer for Tulsa-based BOK Financial Corp., likewise doesn't think a presidential term should define an investing plan.

"We're focused on what we believe to be the fundamentals of the U.S. economy," he said. "Currently, the fundamentals suggest that the economy is in a muddle-through stage. We're growing but not growing rapidly enough to really improve the employment situation.

"As we turn the calendar that is still going to be the case early next year. But the economy does have positive growth ... and the housing market seems clearly to have bottomed and is now improving."

The U.S. economy is improving and by the second half of next year will be growing faster, Huntzinger said.

Her noted that municipal bonds probably will be an attractive investment if higher income tax rates go into effect.

Parts of the health care sector also could benefit. Hospitals are a clear winner now that the Affordable Care Act will be implemented but managed care companies are not, Huntzinger said.

On Wednesday, stocks of large publicly traded hospital companies soared, including HCA Holdings, which leapt 9.4 percent, Tenet Healthcare 9.6 percent, Community Health Systems 6 percent and Universal Health Services 4.3 percent.

Under an Obama administration, defense companies and coal companies could be negatively affected, Bell said.

Among defense stocks, Lockheed Martin lost 3.9 percent Wednesday, Northrop Grumman 4.6 percent and General Dynamics 3.9 percent.

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## Dragged down

Some local-interest stocks showing significant declines Wednesday:

Company	closing price	% change
Alliance Resource Partners	\$59.62	-6.4
Chesapeake Energy	\$17.56	-5.3
Cimarex Energy	\$60.65	-4.5
Devon Energy	\$55.41	-7.1
Halcon Resources	\$5.91	-4.8
Helmerich & Payne	\$47.06	-4.6
Southwest Bancorp.	\$10.32	-5.2
Syntroleum	\$0.62	-5.5
Willbros Group	\$4.65	-9.4

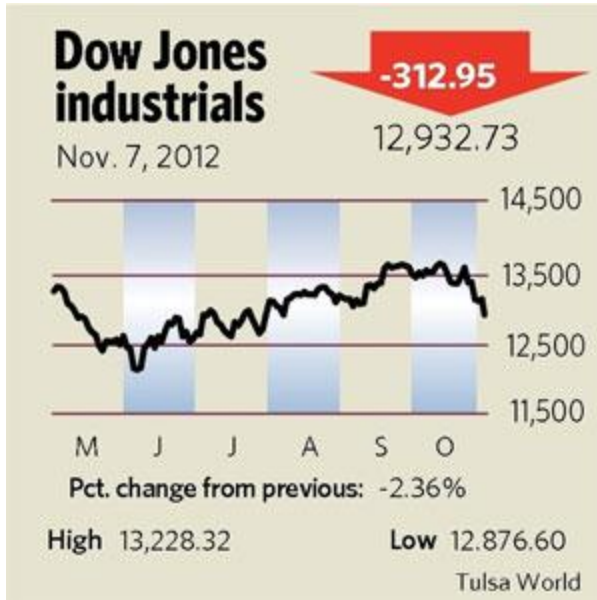
*Source: Associated Press*

**Original Print Headline: Dow drops sharply in post-election sell-off**

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