



## U.S. stocks drop sharply; airlines sink

By KEN SWEET Associated Press | Posted: Thursday, October 2, 2014 12:00 am

NEW YORK — It was a rough start to October for financial markets Wednesday, with the Dow Jones industrial average dropping more than 200 points as investors reacted to a round of negative economic news in the U.S. and abroad.

At first stocks were driven lower by word that German manufacturing had slowed last month. The selling accelerated after a separate survey indicated U.S. manufacturing slowed as well.

“A lot of people thought this economic data was going to be robust, so when it was weak, everyone moved to reposition,” said Tom di Galoma, head of rates and credit trading at ED&F Man Capital.

Investors were also selling stocks following news that the first case of Ebola had been diagnosed in the U.S. Investors dumped airline stocks and bought a handful of drug companies working on experimental Ebola treatments.

The blue chip Dow index lost 238.19 points, or 1.4 percent, to 16,804.71. The Standard & Poor’s 500 index lost 26.13 points, or 1.3 percent, to 1,946.16 and the Nasdaq composite lost 71.30 points, or 1.6 percent, to 4,422.09.

Fred Russell, principal of Fredric E. Russell Investment Management Co. in Tulsa, used Wednesday’s stock market downturn as a buying opportunity.

“What I’m doing today is buying positions particularly in companies that have been treated poorly today. As Warren Buffet would remind all of us — these are the same companies today as they were yesterday, just at cheaper prices,” Russell said.

In relation to Wednesday’s stock market performance, the glass is either half full or half empty, depending on how one looks at it, Russell said.

Most people say the market is down because of global economic worries, especially in Europe. The bad part is that there is a decline in productivity, a rise in unemployment and stagnant corporate profits, he said.

The good part is that central banks around the world are unlikely to raise interest rates, making the glass half full, Russell said.

The report that set off most of the selling in the U.S. was the Institute for Supply Management's monthly manufacturing survey, one of the more closely watched economic indicators that investors look for each month. The ISM index came in at 56.6, below the 58.5 economists expected.

In Germany, Markit reported that manufacturing contracted in September, the latest sign that Europe is being affected by the economic sanctions on Russia. It was the first slowdown in 15 months.

The report came a day before Naples, Italy hosts the European Central Bank's latest policy meeting. There will be great interest in what ECB President Mario Draghi will say about possible monetary stimulus from the central bank following the recent weak economic news.

Traders moved quickly into U.S. government bonds. The yield on the 10-year Treasury note dropped to 2.39 percent from 2.49 percent late Tuesday, a big move. Gold prices rose \$3.90, or 0.3 percent, to \$1,215.50 an ounce.

Utility stocks, which investors favor during times of volatility because of their higher-than-average dividends, were among the few that rose Wednesday. The Dow Jones utility index, a collection of 15 utility companies, increased 0.4 percent.

Investors now look forward to Friday, when the U.S. government will release the monthly job figures. Economists are expecting that employers added 215,000 workers last month and no change in the unemployment rate, which stands at 6.1 percent. Despite October's bad start, analysts believe the next three months should be good for investors.

In recent years, the stock market has risen sharply in the last three months of the year. The S&P 500 rose 10 percent in the fourth quarter last year and 11 percent in the same period in 2011. In 2012 the S&P 500 did fall in the fourth quarter, but only by 1 percent.



A Wall Street sign is mounted near the flag-draped facade of the New York Stock Exchange. The Dow Jones industrial average dropped more than 230 points Wednesday as investors reacted to negative economic news. Associated Press file