

Dow average has biggest drop of the year

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It was another wild ride for the stock market Thursday, as the Dow Jones industrial average had its biggest plunge of the year.

The 334-point drop came a day after the Dow had its biggest gain of the year.

The Dow hasn't had this many big swings since August of 2011, when the U.S. government lost its AAA credit rating.

"Investors are worried about business conditions in Europe. Almost all countries in Europe are experiencing difficulties in restarting their economies, and these difficulties have gone on for many years," said Fred Russell, principal of Fredric E. Russell Investment Management Co. in Tulsa.

"But there was hope that a more aggressive interest rate posture by the European Central Bank would stimulate the economies, but Germany, which has a big vote in the ECB, is very afraid of making interest rates lower because of their fear of inflation."

Russell said he think those fears are overblown and that there is just as good a chance for deflation as inflation. What people want to worry about is unpredictable and sometimes not logical, he added.

In the United States, there is more anxiety about when rates will go up, Russell said.

"The Fed has made many remarks suggesting that rates will rise in 2015, only to find that the economy is weaker than they had thought. So, investors really don't know what to expect of the Fed. Does the Fed view the economy strong, and therefore interest rates rises are likely, or does it view the economy as weak?" he said.

He encourages stock investors to stand by their long-term objectives and philosophy about investing.

“If a day like this unnerves you too much, perhaps you don’t want to grapple with volatility and anxiety. But if you can stick it out, then you will be rewarded,” Russell said.

Energy stocks led the slide as the price of oil continued to slump. Oil fell 2 percent on worries that the global economy will slow even as production remains high. Chevron fell 3 percent.

At the closing bell the Dow was down nearly 2 percent at 16,659.

The Standard and Poor’s 500 fell 40 points, or 2.1 percent, to 1,928. The Nasdaq composite fell 90 points, or 2 percent, to 4,378.

The Associated Press and World Business Writer Laurie Winslow contributed to this report.



Fred Russell

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