



## MARKET SNAPSHOT

U.S. stocks gain after rate cuts in see-saw action

By Kate Gibson, MarketWatch

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NEW YORK (MarketWatch) -- U.S. stock indexes rose on Wednesday afternoon after multiple wild swings into positive and negative turf after the Federal Reserve axed interest rates with other central banks in an effort to stem the panic freezing the credit markets.

**"It seems to be a tug of war between the bulls and the bears," said Robert Olman, president, Alpha Search Advisory Partners. "What we're really seeing is a complete lack of conviction from anyone of where the market is going."**

The Fed cut its key lending rate by half a percentage point, bringing it down to 1.5%.

The European Central Bank trimmed its key refinancing rate to 3.75% from 4.25%, while the Bank of England cut its rate to 4.5% from 5%. China's central bank slashed its one-year benchmark lending and deposit interest rates, while the Bank of Japan sat out the moves but endorsed the coordinated actions. Rate cuts were also made by the Bank of Canada, the Swiss National Bank and the Swedish Riksbank.



**"Today we've had an international rate cut, which is kind of unheard of in the past, so it's kind of stunning that we're not up 500 points. There is some killer volatility," said Olman.**

A day ahead of the one-year anniversary of the Dow Jones Industrial Average's record close of 14,164, the market is facing record losses over the past year. The Dow has dropped nearly 35% from the peak, while the market value of the Dow Jones Wilshire 5000 has seen more than \$7 trillion of its value wiped out.

After rising and falling 200-plus points, the Dow was recently up 113.34 points at 9,560.45, with 23 of its 30 components gaining ground, with the advance fronted by JP Morgan Chase, up 10.1%.

General Electric Co. and Hewlett-Packard Co. were among the blue-chips gaining, with GE up 5.8% and HP up 5.5%.

The biggest laggard among the blue chips was aluminum giant Alcoa Inc., which fell 10.3% after kicking off the third-quarter earnings season with a gloomy assessment of its past three months.

Bank of America Corp. shares fell 1.5% after the company priced a secondary offering of common stock below its closing price, with the move diluting existing shares by about 10%.

Off the Dow, shares of MetLife Inc. also took a hit, down 17.6%, after the insurer's late Tuesday announcement that it would sell 75 million shares to bolster its capital. MetLife also withdrew its prior forecast, saying current conditions make projections difficult.

Financial-services company Principal Financial Group Inc. fell 15.8%, while KeyCorp fell 6%.

The S&P 500 climbed 19.25 points to 1,014.98, while the Nasdaq Composite gained 41.20 points to 1,796.08.

Industrials and financials led sector gains among the S&P's 10 industry groups, with telecommunication services and consumer staples the declining sectors.

Volume on the New York Stock Exchange topped 1.2 billion, and for every stock on the rise, almost two were sliding. On the Nasdaq, 1.1 billion shares traded, and decliners ran ahead of advancers roughly 4 to 3.

"I was somewhat encouraged by the Fed rate cut, but it adds confidence back more to Main Street than to Wall Street," said Robert Pavlik, chief investment officer at Oaktree Asset Management.

"What we need is for sellers to get exhausted -- capitulation -- and the bargain hunters reappearing to step in and pick up the pieces," said Pavlik.

"It was exactly 10 years ago today, on Oct. 8, 1998, when the major averages reversed direction after a brutal 22% three-month decline during the global financial crisis in 1998," said Frederic Ruffy, Options Strategist, WhatsTrading.com.

The National Association of Realtors reported an index of sales contracts on previously owned U.S. homes climbed 7.4% in August from the prior month.

A rally in gold futures continued as investors sought a refuge from inflation, with gold for December delivery gaining \$24.3 to \$906.3 an ounce on the New York Mercantile Exchange.

Overseas, Asian markets crumbled as investors alarmed by deteriorating financial markets dumped stocks to raise cash, sending several indexes to multi-year lows.

In London, shares rebounded from near five-year lows.

On Wednesday, U.S. stocks declined for a fifth session straight, prolonging a sharp sell-off that had the S&P 500 ending at a five-year low. ■

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