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Stocks tumble on worries about jobs, European debt

By John Schmid of the Journal Sentinel

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Fresh economic worries Thursday triggered the worst single-day selloff for the Dow Jones industrial average in nearly 10 months.

"Traders are very skittish about growth in the U.S. and growth globally," said Brian Jacobsen, the chief portfolio strategist for fund management group at Wells Fargo Bank.

The Dow lost 268.37 points, or 2.6%, to close at 10,002.18. It was the biggest one-day point decline since April 20. And it carried the index to the psychologically important 10,000-point floor, even briefly below it for the first time since November

The broader Standard & Poor's 500 Index lost 3.1% to close at 1063.11, down 34.17 points. The Nasdaq Composite Index lost 3%, or 65.48 points, to finish at 2125.43.

Selling began at the opening bell as investors reacted to negative news overnight from Europe, said Jeff Nelson, director of research in Milwaukee at the MBO Cleary Advisors Inc. investment firm.

Greece, a member of the European Union's common currency bloc, is in the throes of a national debt crisis that set off a chain reaction in global markets. EU policy makers are concerned that Greece might default on its debt, weakening the stability of the continent's single-currency project. Other Mediterranean euro nations such as Portugal and Italy also came under fiscal scrutiny, compelling foreign exchange traders to hammer the euro, push up the value of the dollar, which in turn can weaken American exports by making them more expensive.

Problems at home

But it wasn't long before domestic economic concerns spilled into the markets and added to the bearish pressure.

The government reported that initial claims for weekly jobless benefits unexpectedly rose last week. Many economists had expected a decrease, expecting that fewer people would apply for unemployment benefits in an improving economy. It was the fourth increase in the past five weeks, signaling that the economy remains too fragile to inspire employers to hire. The four-week moving average, which is meant to smooth volatility in the weekly claims data, also increased.

That report raised the stakes for Friday's publication of national unemployment data for January.

Will hopes be dashed?

More than two years after the recession began, wiping out more than 7 million jobs, many economists had begun to hope that the United States might post a small but symbolic increase in the net number of jobs in January. Given the severity of Thursday's plunge, however, traders are braced for another month of net jobs losses in the U.S.

In December, the latest data available, the nation lost 85,000 jobs while the unemployment rate held steady at 10%.

In a globally intertwined economy, other developments beyond Europe influenced the markets.

China worries

The central bank of Australia this week noted that China is reducing its own stimulus spending, signaling that Australia is concerned that a slowdown in China could slow other Western economies as well. That announcement, from monetary authorities in a nation with close economic ties to China, prompted concerns about U.S. growth, Nelson said.

With China's economy expected to grow as much as 10% this year, many nations look to the mainland as one of the few reliable engines of global growth.

Among Wisconsin stocks, the biggest losers on Thursday were: Modine Manufacturing Co., down 10.3%; Merge Healthcare Inc., 8.4%; Marcus Corp., 8%; MGIC Investment Corp., 7.6%; and Bucyrus International Inc., 7.5%.

Top gainers in the state were Tufco Technologies Inc. at 5.8%; Orion Energy Systems Inc., 5.3%; and Regal Beloit Corp., 4%.

Paul Gores of the Journal Sentinel staff contributed to this report