

NEWS RELEASE

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GM'S WOES, RETAIL DATA DRAG DOWN MARKETS AT OPEN

By Alejandro Lazo - The Washington Post

U.S. stock markets fell sharply at the opening bell this morning as investors began to give back gains one day after a rally that broke a five-day losing streak.

The Dow Jones Industrial Average fell 1.4 percent, or 96 points, in early trading. The Standard & Poor's 500-stock index fell 1.4 percent, or 10 points. The tech-heavy Nasdaq composite index fell 1.3 percent, or 17 points.

Every sector in the broad S&P 500 index was down, but shares of financial companies led the drop, down 4 percent in morning trading.

Denis Amato, executive vice president and portfolio manager with Ancora Advisors in Cleveland, called yesterday's gains a "relief rally" after stocks had fallen to lows not seen in 12 years earlier this week. Similar rallies have followed other bear-market lows in October and November, only for those gains to later erode, and Amato said a broad recovery will likely not occur until the banking sector sees some recovery.

"A lasting rally won't occur until the bank stocks stabilize," Amato said. "You have to have some stability at least in the financial system before you can have a meaningful recovery."

The drop this morning came as General Motors warned about its financial condition. The Detroit titan said in its annual report that its auditors had raised "substantial doubt" about its ability to keep operating and that it may have to seek bankruptcy protection if can not restructure. The automaker's shares fell 14 percent in morning trading. In economic news, the Labor Department reported that the number of people filing for unemployment benefits last week dropped more than expected, to 639,000 compared to the 670,000 the previous week. The total number of people receiving unemployment benefits is now more than 5 million and investors are eagerly awaiting tomorrow's monthly jobless report.

On the U.S. consumer front, retailers posted declines in monthly sales this morning with wary Americans continuing to keep their wallets in their pockets amidst the recession. Wal-Mart was the exception, reporting a 5.1 percent increase in February sales at U.S. stores open at least a year compared to the same month last year -- a key measure of a retailer's health.

Retail executives said both traffic and average purchase size was up at their stores, and grocery, health and wellness and entertainment were among the best performing categories. Rival Target said its same-store sales were down 4.1 percent in February, and Macy's dropped 8.5 percent.

Overseas, the European Central Bank said Thursday the euro-zone economy is expected to contract by 2.7 percent in 2009, a substantial drop from its previous forecast of a 0.5 percent contraction. The bank released the new forecasts after cutting interest rates to a record low of 1.5 and said it expected zero growth next year in the 16-nation eurozone, down from its previous estimate of growth of 1.0 percent. The Bank of England also slashed interest rates by half a percentage point to 0.5 percent.

European markets were down with the London's FTSE down 1.9 percent and Germany's DAX down 2.4 percent.

Staff writer Ylan Q. Mui contributed to this report.