Bears maul Wall Street

Dow sinks 200 in afternoon trade as worries about subprime market, economy, dollar, spark another wave of selling.

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March 13 2007: 3:43 PM EDT

NEW YORK (CNNMoney.com) -- Stocks slumped Tuesday, with the Dow losing more than 200 points as worries about subprime lending, the economy and the weak U.S. dollar sparked a broad selloff.

The Dow Jones industrial average (down 208.21 to 12,110.41, Charts) lost around 230 points before edging back a bit with about 25 minutes left in the session. The broader S&P 500 (down 21.78 to 1,384.82, Charts) index and the tech-heavy Nasdaq (down 37.91 to 2,364.38, Charts) composite each sank about 1.7 percent.

The Russell 2000 (down 16.31 to 772.69, Charts) small-cap index tumbled 2.1 percent.

Worries about subprime mortgage lenders dominated trading after New Century Financial (Charts) said the Securities and Exchange Commission has subpoenaed documents in accounting probes. In addition, the New York Stock Exchange suspended trading of the stock and is having it delisted.

The scary math of the subprime shakeout

New Century's problems sparked a further selloff in the rest of the sector. So-called subprime lenders have seen an alarming rise in defaults on loans to their customers - home buyers with weak credit.

"Clearly, the issues for subprime are having an impact on the broader market," said Richard Hoyt, portfolio manager at KDV Wealth Management. "The market is a combination of fundamentals and psychology and right now, psychology has the upper hand," he added.

Also in focus: a surprisingly weak read on retail sales and more nervous buying of the yen. After seesawing over the last week, the yen surged anew as investors closed out so-called carry trades - bets on riskier assets bought by borrowing in the currencies of countries with low interest rates, such as Japan.

The factors driving stocks lower were the same ones that caused the big selloff two weeks ago, said Barry Hyman, equity strategist at EKN Financial services. On that day, the Dow plunged 416 points - the biggest one-day point drop since the market reopened after the Sept. 11 attacks.

"I think it's hard to put aside that big drop in the market and the reasons behind it," he said. "Again, selling is being driven by worries about the subprime contagion and the weak carry trade."

And Tuesday's weak retail sales report - the latest in a string of sluggish economic data - revived fears about the economy slowing abruptly, and possibly falling into a recession, Hyman said.

On Feb. 27, the day of the big selloff, the Dow hit a trading low of 12,086.06 before closing a little higher. On Tuesday, the Dow slipped as low as 12,090.30 and also bounced back a bit.

Buffett, Greenspan push for new rules

In addition to New Century's woes, fellow subprime Accredited Home Lenders (down $7.25 to $4.15, Charts) said Tuesday it has to raise new funds to avoid defaulting on its loans. The stock plunged 60 percent in active trading.

Rivals Fremont General (down $0.37 to $6.36, Charts) and Novastar Financial (down $0.81 to $3.43, Charts) both slumped too.

Countrywide Financial (down $1.02 to $34.12, Charts), the largest U.S. mortgage lender, slipped for a second session after it said Monday that a jump in foreclosures and problems with subprime lending could weigh on earnings going forward.

Washington Mutual (down $2.05 to $39.85, Charts) slipped 5 percent in active trade on worries that its earnings will be negatively impacted by its exposure to the subprime market.

The subprime worries overshadowed strong earnings from Goldman Sachs (down $2.30 to $200.30, Charts). The investment bank reported earnings that rose from a year earlier and topped estimates. But the shares slipped modestly.

A variety of other financial stocks also fell, including Dow components JP Morgan (down $2.08 to $46.76, Charts), Citigroup (down $1.51 to $48.85, Charts) and American Express (down $1.61 to $55.10, Charts).

In other news, Viacom (up $0.01 to $39.56, Charts) said it's suing Google (down $10.35 to $444.40, Charts) and its video sharing site YouTube for more than $1 billion regarding unauthorized use of its copyrighted programs.

Texas Instruments (down $0.84 to $31.75, Charts) slipped after the chipmaker issued its mid-quarter update late Monday, narrowing its forecast range for both revenue and earnings, but keeping the midpoint unchanged.

On the upside, Qualcomm (up $2.04 to $42.16, Charts) shares gained after the wireless chipmaker boosted its outlook for the second quarter.

Market breadth was negative and volume was moderate. On the New York Stock Exchange, losers beat winners by more than four to one on volume of 1.43 billion shares. On the Nasdaq, decliners topped winners by over four to one on volume of 1.68 billion shares.

Big profits = danger ahead

Also a factor in the day's selling: February retail sales, which rose a smaller-than-expected 0.1 percent. Sales excluding autos fell 0.1 percent, versus forecast for a rise. A separate report showed that January business inventories rose 0.2 percent, as expected.

U.S. light crude oil for April delivery fell 98 cents to $57.93 a barrel on the New York Mercantile Exchange, giving up earlier gains.

Treasury prices rose, lowering the yield on the 10-year note to 4.50 percent from 4.55 percent late Monday. Treasury prices and yields move in opposite directions.

In currency trading, the dollar fell versus the euro and the yen.

COMEX gold for April delivery fell 10 cents to $650.20 an ounce.