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Stocks Plunge Amid Fears That Global Economy Is Slowing

By CHRISTINE HAUSER

Investors anxious about the outlook for global economic growth sent stocks sharply downward on Friday as the Dow closed below 12,000 for the first time since March.

The drag on stocks is especially troubling because it suggests that one of the few bright spots for the United States economy may be starting to fade. Just six weeks ago, the Dow Jones industrial average seemed poised to break through the 13,000 mark, closing at 12,810 on April 29. But on Friday it fell 172.45 points, or 1.42 percent, to close at 11,951.91.

It had not been below 12,000 since March 18, and it has now suffered a loss for six consecutive weeks, its longest weekly slump since the fall of 2002.

“In general, we have had such a long string of disappointing economic data, not only domestically but to some extent globally as well, that people are perhaps at last shifting their outlook,” said Kathy Jones, fixed-income strategist at Charles Schwab.

The pressure points for the Dow’s slump included concern that China’s high-powered export economy could be slowing and a growing sense that Europe will be unable to reach a consensus on how to end the Greek debt crisis that has troubled markets for more than a year.

In the United States, a rash of sluggish indicators — especially related to the job market, manufacturing, consumer confidence and home sales — has economists worried about a stalled recovery. The nervousness was heightened this week when the Federal Reserve chairman, Ben S. Bernanke, said the economic recovery remained uneven but did not say the Fed would continue to intervene. Investor enthusiasm has cooled with signals from the Fed that it will end its purchase of $600 billion dollars in Treasury securities at the end of June.

The continued political wrangling over the raising of the national debt ceiling has fueled additional concerns. Moody’s Investors Service said last week that it might downgrade the United States credit rating if lawmakers did not increase the nation's debt limit "in coming weeks."

"The marketplace is spooked," by the recent bad economic news, said Ciaran O'Kelly, head of equities at Nomura in the United States.

Whether the uncertainty for investors and the markets will lift, or whether stocks will continue their decline, is as unclear as the muddled economic signals. But **Bernard Baumohl**, chief global economist for the Economic Outlook Group, said the markets were finally coming to a realization of how much worse things had become.

"This is not rocket science," he said. "Up until a month or two ago, investors thought the headwinds against the recovery were transitory. But they may now last a lot longer."

In addition to the Dow's decline, the Standard & Poor's 500-stock index fell 18.02 points, or 1.4 percent, to 1,270.98. The Nasdaq composite index was down 41.14 points, or 1.5 percent, to 2,643.73, and that exchange is down for the year.

"The markets on the whole are reacting to what we think is a slowdown period of both the U.S. and the broader economy," Jason D. Pride, the director of investment strategy at Glenmede, said.

"And to put a cherry on top of the scenario, as far as downside pressures, you have this significant unease surrounding exactly what is going to come from the Greek debt issues."

Mr. Pride said the financial markets were plowing through uncertain times.

"We are going through a period where the economic expansion is likely to be coming in a bit softer than in the past," said Mr. Pride. "Anytime you have a slow period like this, the concern that we are going to have a relapse starts coming up in the minds of investors."

While the Dow is now down seven of the last eight trading sessions, it is still up by nearly 3 percent from its lowest close this year, which was 11,613.30 on March 16.

In the United States on Thursday, stocks had risen after the nation's trade data showed the highest exports on record, reaching $175.6 billion in April. The gains ended a six-day losing streak and were the first time stocks rose in June.

Phil Orlando, chief equity market Strategist at Federated Investors, said Friday's decline likely was a retracing of Thursday's rally as the weekend approached.

"The fact that today is a Friday might be significant," he said. "Investors have a tendency to not want to be long over a weekend. And the reality is that this euro zone and sovereign debt issue is very much in play."

As stocks fell, Treasury prices rose, partly riding the wave of recent strong sales of short and long bonds. The Treasury's 10-year note rose 7/32, to 101 10/32. The yield fell to 2.97 percent, from 3 percent late Thursday.

"The bond market does look to be in a sound position with momentum on its side after the Treasury's successful sale" this week, said Kevin H. Giddis, the executive managing director and president for fixed-income capital markets at Morgan Keegan & Company.

Energy stocks led the declines on the broader equities market, falling 1.88 percent, after reports that Saudi Arabia would increase oil production.

Crude oil in New York fell $2.64 to close at $99.29 a barrel.

Exxon Mobil fell 1.72 percent to $79.78. Chevron was down 1.54 percent at $99.67; Schlumberger declined 2.54 percent to $83.66 and Halliburton was 2 percent lower at $48.

The S.& P. was weak across the board, with consumer discretionary, industrials and materials among the sectors declining more than 1 percent.

Financial stocks were also lower by more than 1 percent during the day, but closed down by about 0.7 percent.

There is little relief in sight, Mr. Orlando said.

"We have had a steady drumbeat of weak economic news," Mr. Orlando said. "There is really nothing on the horizon to suggest in the very near term that trend is going to change."

Graham Bowley contributed reporting.