

Wall Street finishes erratic day higher

By TIM PARADIS
The Associated Press
Wednesday, August 20, 2008; 5:39 PM

NEW YORK -- Wall Street scored a moderate gain after a volatile session Wednesday that saw the major indexes ratchet up and down on the seesawing price of oil and mixed feelings about the financial sector.

Concerns about mortgage financiers [Fannie Mae](#) and [Freddie Mac](#) initially dragged down financials. Wall Street is nervous that the government-chartered companies will need a bailout from the Treasury Department, a move that could wipe out shareholders' equity. Fannie Mae shares tumbled nearly 27 percent, while Freddie Mac shares lost 22 percent.

But because financial stocks have fallen so far over the past few days, some traders appeared to be covering many of their short positions, which drove a large portion of bank and brokerage stocks higher late in the day, said Peter Cardillo, chief market economist at New York-based brokerage house Avalon Partners Inc. Short-covering is a way to offset a bet that a stock will fall.

Some stocks had turned higher earlier in the session after Fannie Mae Chief Executive Daniel Mudd said the concerns about the company's financial position are overblown.

"They haven't offered anything and we haven't asked for anything," Mudd said, referring to the federal government in a public radio interview Wednesday morning. "I don't anticipate that they will do that."

Meanwhile, oil prices finished higher _ bad news for consumers, but a boost to energy company stocks, which also attracted buying on Wednesday.

The [Dow Jones industrial average](#) rose 68.88, or 0.61 percent, to 11,417.43 after being down by nearly 60 points and up more than 100. Concerns about inflation and the financial sector led the Dow to post its worst two-day performance since late June on Monday and Tuesday with an overall drop of about 310 points.

Broader stock indicators also ended Wednesday with a gain. The Standard & Poor's 500 index rose 7.85, or 0.62 percent, to 1,274.54, while the Nasdaq composite index rose 4.72, or 0.20 percent, to 2,389.08.

Oil, which has rebounded this week after dropping \$35 from its July 11 high of \$147.27, ended up modestly, even after the Energy Department said crude oil inventories rose much more than forecast last week.

Energy costs remain a concern because of their effect on overall inflation. Government reports last week and on Tuesday showed larger-than-expected increases in prices faced by consumers and businesses.

Light, sweet crude rose 45 cents to \$114.98 per barrel on the New York Mercantile Exchange, after alternating between gains and losses.

Bond prices rose. The yield on the benchmark 10-year Treasury note, which moves opposite its price, fell to 3.80 percent from 3.84 percent late Tuesday.

The dollar rose against other major currencies. Gold prices also rose.

Alan Haft, chief executive of Haft Financial in Newport Beach, Calif., contends that worries about the financial sector

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aren't likely to ease and that it will remain difficult to determine the severity of losses that financial companies are suffering from bad mortgage debt.

"I think there is still a lot of fear in the market in terms of the financial sector," he said.

Fannie Mae and Freddie Mac collectively back or hold nearly half of all mortgage debt in the U.S. Investors are worried that losses at the companies and other financial names will deepen as homeowners fall behind on mortgage payments and other bills.

Wall Street is also fearful that the sharp rise in energy and food costs seen this year are only placing more pressure on already cash-strapped consumers.

Fannie Mae fell \$1.61, or nearly 27 percent, to \$4.40, while Freddie Mac fell 92 cents, or 22 percent, to \$3.25.

Results from Hewlett Packard Co. offered investors some hope that areas like technology could fare better than financials. Hewlett Packard rose \$2.47, or 5.7 percent, to \$46.16 after posting better-than-expected quarterly results late Tuesday. It was the biggest gainer among the 30 stocks that make up the Dow Jones industrial average.

Advancing issues outnumbered decliners by about 8 to 7 on the New York Stock Exchange, where consolidated volume came to a light 4.45 billion shares, up from 4.07 billion shares Tuesday. Many investors were on vacation, and the resulting light volume tends to exaggerate some price moves.

The Russell 2000 index of smaller companies rose 1.57, or 0.22 percent, to 731.60.

Overseas, Japan's Nikkei stock average slipped 0.10 percent. Britain's FTSE 100 rose 0.97 percent, Germany's DAX index advanced 0.56 percent, and France's CAC-40 rose 0.76 percent.

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