



Markets Brief

## Wall Street Flops

Ruthie Ackerman, 12.23.08, 5:30 PM ET

There wasn't much in the way of good cheer on Wall Street Tuesday, with retailers suffering from the weak U.S. economy, which showed no signs of turning around. An apparent Madoff-instigated suicide didn't do anything to brighten the mood.

Meanwhile, with the end of 2008 fast approaching, traders with big losses for the year seem to have taken advantage of the market's recent rise from its nadir to dump some shares.

**"I think the weakness is due to light volume and investors taking advantage of the market strength to do some tax sell offs," said Harry Rady, chief executive officer and portfolio manager for Rady Asset Management. "The major problem is a global glut of debt. The only way to pay down debt is to sell assets to raise cash."**

After an early gain, the Dow Jones industrial average fell 1.2%, at the close, while the Standard & Poor's 500 index sank 1.0%. The Nasdaq composite index slid 0.7%. Being that this is a holiday-shortened week trading volume is light, which tends to skew the market's movements.

Meanwhile, the yield on the benchmark 10-year Treasury note, which moves opposite its price, rose to 2.18% from 2.17% late Monday. The yield on the three-month Treasury bill, considered one of the safest investments, was unchanged at 0.02%, which is next to nothing.

**"The Treasury market has gotten so overvalued that I've actually started shorting Treasuries," Rady said. "All of the bailout money on top of the fact that the dollar is getting crushed is going to make interest rates go up. I think the Treasury market way overshot the mark."**

Another loss related to Ponzi-schemester Bernard L. Madoff, this time an apparent suicide. Rene-Thierry Magon de la Villehuchet, the founder of an investment fund that lost millions, was found dead at his Manhattan office of what French papers are calling a suicide after his wrists were slit with a box cutter.

The pain continued to flow for retailers after America's Research Group and UBS released a survey showing that 38.7% of Americans went shopping during the final weekend before Christmas, down from 41.6% in 2007 and the lowest turnout in at least six years. Macy's sank 6.8%, while Kohl's fell 3.9%. JC Penney lost 3.3%. Sears Holdings slid 2.8%.

It doesn't help when companies are laying off employees left and right. Late Monday, Unisys said it would be taking aggressive actions to reduce costs including cutting 1,300 jobs, or 4%, of its workforce. It will also stop matching contributions to 401(k) plans and discontinue salary increases in 2009. This will save the company about \$225.0 million. Unisys shares shot up 45.3%.

Meanwhile, aircraft company Textron reported it will slash 2,200 jobs, or 5.5%, of its worldwide work force, and will shut most of its commercial finance business to save money during the downturn. The company also cut its fourth-quarter forecast. The cuts are expected to save \$100 million in 2009. Textron shares tumbled 20.5%.

Tuesday opened with grim reports from the housing front. The National Association of Realtors reported that existing U.S. home sales tumbled 8.6%, to an annual rate of 4.49 million in November, down from a revised 4.91 million in October. Sales were forecast to slip to 4.90 million units. The median sales price fell 13.2% in November, to \$181,300, down from \$208,000 in the prior year, the largest drop since 1968.

To add fuel to the fire, the U.S. Census Bureau and the Department of Housing and Urban Development reported that sales of newly built single-family homes slowed in November. The seasonally adjusted annual sales pace of 407,000 was down 2.9% from October, the lowest rate since 1991. Economists had forecast sales would rise to 420,000, up from the downwardly revised 419,000 in October. The median sales price rose, though, to \$220,400, up from \$214,600 in October.

But the dark cloud was given a silver lining by a report from the U.S. Commerce Department that said third-quarter gross domestic product fell at an annual rate of 0.5%, in line with analysts' forecast as well as the government's own estimates last month. The report also said that corporate profits fell 1.2% in the third quarter, worse than the 0.9% expectation.