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Stocks end worst week mixed after wild session

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NEW YORK — Wall Street capped one of its worst weeks ever with a wild session Friday that saw the Dow Jones industrials gyrate within a 1,000 point range before closing with a relatively mild loss and the Nasdaq composite index actually ending with a modest advance. Investors were still agonizing over frozen credit markets, but seven days of massive losses and the possibility of further government support for the markets tempted some investors late in the session.

The Dow lost 128 points, giving the blue chips an eight-day loss of just under 2,400, or 22.1 percent. The average had its worst week on record in both point and percentage terms. The Standard & Poor's 500 index, the indicator most watched by market professionals, posted its worst weekly run since 1933.

The latest loss also means the Dow is down 40.3 percent since reaching a record high close of 14,164.53 a year ago, on Oct. 9, 2007. The S&P 500, which reached its high of 1,565.15 the same day, is down 42.5 percent.

Investors suffered a paper loss for the day of about $100 billion, as measured by the Dow Jones Wilshire 5000 index. For the week, investors lost $2.4 trillion, and over the past year, the losses have piled up to $8.4 trillion.

But there were signs Friday that some investors believe the market is near a bottom. On Thursday, selling accelerated in the last hour of trading. The Dow was down 221 points at 3 p.m. but closed down 679 points an hour later. On Friday, the Dow was down 468 points at 3 but rocketed 790 points and was up 322 points just after 3:30. It then sold off but closed down only 128.

And the Russell 2000 index, which tracks the movements of smaller company stocks, had a 4.66 percent gain Friday; small-cap stocks are often first on investors' shopping lists when they think a market turnaround is at hand.

"Nobody wants to miss the bottom," said Anton Schutz, president of Mendon Capital Advisors, who said of the Dow's performance, "I view it as a victory that we only finished down 100."

Some investors may have been placing bets ahead of the weekend meeting of officials from the Group of Seven nations, who gathered in Washington to discuss the economic meltdown. One of the potential remedies expected to be reviewed at the meeting is for governments to guarantee lending among banks.

"Everyone is hoping for really good news that can invigorate some buying and break this credit freeze, but your guess is as good as mine as to whether that will happen. I think people are desperate for action," said Jon Biele, head of capital markets at Cowen & Co. "It truly is remarkable to watch what's happening."

Still, Friday's widely mixed finish was proof that Wall Street still has a long list of troubles, and trading is likely to remain volatile when the market reopens on Monday.

"This kind of volatility in the market tells you that there are huge disagreements among investors about what the fundamentals are, about what the outlook is," said Ethan Harris, managing director and chief U.S. economist at Barclays PLC.

The hair-trigger mentality of the market _ a reflection of the intense anxiety on the Street _ was evident from the opening bell. The Dow fell 696 points in the first 15 minutes, recovered to gain more than 100 before that first hour was over and then turned sharply lower again. It spent much of the session with a deficit between 300 points and 500 points, regaining some ground and then falling again _ until the last hour, when the average had swings spanning hundreds of points that took the Dow up as much as 322.

Investors have shuddered the past month over a credit market that remains frozen, posing a threat to the economy by making it harder and costlier for businesses and consumers to get a loan. But Friday's gainers included financial stocks, the ones most decimated by the credit crisis.

Harris said policymakers likely will continue to do what is needed to revive the credit markets. Actions taken so far by central banks, among them the Federal Reserve, have included increased lending and interest rate cuts.

"The deeper problem is not the stock market drop but the freezing up of the credit markets and that's the root problem and they have to keep applying the antifreeze until it works," Harris said.

The major indexes' sharp swings Friday were likely exacerbated by the computer-driven "buy" and "sell" orders that kicked in when prices fell far enough.

"Fear has been running rampant all over the Street. Fear and greed, that's what rules the Street. I think the carcass has been stripped to the bone," said Dave Henderson, a floor trader on the New York Stock Exchange for Raven Securities Corp. "The mood, it swings with the market. When we went positive, the euphoria down there was awesome. It's like at a football game."

The Dow fell 128.00, or 1.49 percent, to 8,451.49. At its low point Friday, the Dow was down 696.68 at 7,882.51, some 600 points above its low in Wall Street's last bear market, 7,286.27, reached Oct. 9, 2002. It crossed the line between gains and losses 32 times during the session.

Its close was the lowest since April 25, 2003.

Market index stats again told how horrific the run has been on Wall Street:

_ The Dow lost 1,874.19 points, or 18.2 percent, during the week. Its dismal performance outdid the week that ended July 22, 1933, which saw a 17 percent drop _ and back then, during the Great Depression, there were six trading days in a week.

_ The Dow has fallen for eight straight sessions _ the longest losing streak since the eight days of declines following the Sept. 11, 2001, terror attacks, when the blue chips lost 1,038.12, or 10.8 percent.

_ It's been the worst run for the Dow since the nearly two-year bear market that ended in December 1974 when the Dow lost 45 percent.

_ Since hitting their record highs a year ago, the Dow has lost 5,713 points, or 40.3 percent, while the S&P 500 is off 665.90 points, or 42.5 percent.

Beyond the Dow, broader stock indicators were mixed Friday.

The S&P 500 index fell 10.70 or 1.18 percent, to 899.22. The 18.2 percent drop for the week was the S&P's steepest decline since the week ending May 21, 1933; its worst loss was in 1929, when it fell 19.9 percent. The index lost 200.01 points for the week.

The Nasdaq composite index rose 4.39, or 0.27 percent, to 1,649.51. For the week, the Nasdaq lost 297.88, or 15.3 percent.

The Russell 2000 rose 23.28, or 4.66 percent, to 522.48. For the week, the Russell fell 96.92, or 15.64 percent.

Decliners led advancers 2-to-1 on the New York Stock Exchange, where consolidated volume came to a record 11.2 billion shares, compared with 8.14 billion traded Thursday.

Most major central banks around the world slashed interest rates this week after continuing problems in the credit market triggered concerns that banks will run out of money. Analysts have described the mood on trading floors this week as panicked at times, with investors bailing out of investments on fears there is no end in sight to the financial carnage.

A stream of selling forced exchanges in Austria, Russia and Indonesia to suspend trading, and those that remained opened were hammered. The rout in Australian markets caused traders there to call it "Black Friday."

European stocks sank Friday, with Britain's FTSE-100 falling 8.85 percent, German's DAX declining 7.01 percent, and France's CAC-40 ending down 7.73 percent. In Asia, the collapse of Japan's Yamato Life Insurance caused already nervous investors to pull even more money out of the market _ the Nikkei 225 fell 9.6 percent.

An index considered to be Wall Street's fear gauge reached record highs on Friday in another sign of massive investor anxiety. The Chicago Board Options Exchange Volatility Index, known as the VIX, rose to an all-time intraday high of 76.94 Friday. The VIX, which usually trades under 50, tracks options activity for the companies that make up the S&P 500.

Still, prospects of further government help and, perhaps, attractive prices helped parts of the financial sector show signs of life. Big national banks were among the gainers, including Bank of America Corp., which rose $1.24, or 6.3 percent, to $20.87. Some smaller banks also rose, including Fifth Third Bank Corp., which advanced 67 cents, or 6.9 percent, to $10.40.

Not all financials enjoyed a bounce, however. Morgan Stanley Inc. fell $2.77, or 22 percent, to $9.68 as investors worried that even with a major investment from Japan's Mitsubishi UFJ Financial Group the company was still facing troubles. Meanwhile, Goldman Sachs Group Inc. fell $12.55, or 12 percent, to $88.80.

Financials were most prominent among the stocks that rose in the S&P 500, though technology stocks generally advanced. Apple Inc. rose $8.06, or 9.1 percent, to $96.80, while eBay Inc. rose 77 cents, or 4.8 percent, to $16.73.

Investors appeared unfazed by final results arriving in afternoon trading from an auction Friday that set the price of debt issued by now bankrupt Lehman Brothers Holdings Inc. at 8.625 cents on the dollar, down from a preliminary estimate of 9.75 cents.

The auction was for credit default swaps, which are contracts used to insure against the default of financial instruments like bonds and corporate debt. Traded in a $60 trillion, unregulated market, many of the instruments have fallen sharply because of their ties to bad mortgage debt. Those big losses and nervousness about who holds what CDS has made financial institutions hesitant to lend to one another. The auction could help the market determine which companies are most at risk from CDS losses.

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