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GLOBAL MARKETS-Stocks sink, gold nears record on bank fears

Fri Feb 20, 2009 11:06am EST

- * Global stocks fall on fears of ailing banks, economy
- * Gold futures shoot above \$1,000 in flight to safety
- * Government bond prices rise as risk aversion grows
- * Dollar basket also gains on renewed safe haven buying
- * Oil slumps as deteriorating economy dents demand (Recasts with U.S. markets, changes dateline; previous LONDON)

By Herbert Lash

NEW YORK, Feb 20 (Reuters) - Widespread fear about ailing banks and a deepening recession buzzed through global markets on Friday, pushing gold futures above \$1,000 an ounce as investors fled risky assets such as stocks, and snapped up government bonds and the U.S. dollar.

Jittery investors turned assets such as gold that tend to hold their value in times of economic stress as persistent worries about ailing banks and a global recession slammed equity markets in Asia, Europe and the United States.

Oil prices retreated after jumping 14 percent on Thursday on an unexpected drawdown in U.S. crude stocks. Worries about demand for energy resurfaced, with sentiment heavily dented by the sharp slide in the world's equity markets.

European shares and the Dow fell to fresh six-year lows, while the S&P 500, a broad measure of U.S. equities, slipped closer to a new bear market low.

U.S. Treasury and euro-zone government debt prices rallied, driven by deepening anxiety about the fragile banking system.

"The market has bigger fish to fry as it contemplates more long weekends as big decisions on the banking sector are confronted," said Alan Ruskin, chief international strategist at RBS Greenwich Capital in Greenwich, Connecticut.

At 11 a.m., 477 shares of the roughly 3,000 shares listed on the New York Stock Exchange had set new 52-week lows. Only 2 stocks rose to a 52-week high.

"We are becoming very, very concerned that the public is on the brink of abandoning their share holdings en masse, facilitating a literal 'crash' in prices," wrote Dennis Gartman in The Gartman Letter, which is widely read among investors.

In early trade the Dow Jones industrial average .DJI was down 66.35 points, or 0.89 percent, at 7,399.60. The Standard & Poor's 500 Index .SPX was down 6.83 points, or 0.88 percent, at 772.11. The Nasdaq Composite Index .IXIC was down 0.15 points, or 0.01 percent, at 1,442.67.

Shares of Bank of America Corp (BAC.N: [Quote](#), [Profile](#), [Research](#), [Stock Buzz](#)) and Citigroup Inc (C.N: [Quote](#), [Profile](#), [Research](#), [Stock Buzz](#)) plummeted for a sixth straight day, hammered by increasing fears of a U.S. government takeover, which would wipe out shareholders.

Citigroup plunged below \$2 a share as it fell about 20 percent, and Bank of America shed about 14 percent.

European shares plunged, with the FTSEurofirst 300 .FTEU3 index of top European shares falling at one point 3.4 percent at 738.41 points -- its lowest level since March 2003.

Safe-haven buying lifted U.S. gold futures to a seven-month high, putting the benchmark gold contract within reach of the record high at \$1,033.90 hit in April.

"It's a direct barometer of risk aversion reaching elevated levels," said Michael Woolfolk, senior currency strategist at Bank of New York-Mellon in New York.

Some cautioned about the surge in gold prices.

"People are buying gold for emotional reasons and on worries about bank nationalization in a reactionary move. There are certainly smart people who are buying it and there were a lot of smart people buying oil at \$140 too," said Lawrence Glazer, managing partner at Mayflower Advisors in Boston.

Spot gold prices <XAU=> rose \$16.45 to \$990.30 an ounce.

The dollar was up against a basket of major currencies, with the U.S. Dollar Index .DXY up 0.29 percent at 87.695.

Against the yen, the dollar <JPY=> was unchanged at 94.28 and the euro <EUR=> was down 0.19 percent at \$1.2638.

The greenback has benefited from extreme risk aversion in recent months as investors sought relative safety in dollar-denominated assets such as U.S. Treasuries.

U.S. light sweet crude oil CLc1 fell 3.27 percent to \$38.19 a barrel.

The benchmark 10-year U.S. Treasury note <US10YT=RR> was up 23/32 in price to yield 2.77 percent. The 2-year U.S. Treasury note <US2YT=RR> was up 2/32 in price yield 0.94 percent. (Reporting by Charles Mikolajczak, Chris

Reese, Wanfeng Zhou and Nick Olivari in New York, Lucia Mutikani in Washington, George Matlock in London and Peter Starck in Frankfurt; Editing by Tom Hals)

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