Weak Signals on the Economy Send Stocks Plunging

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NEW YORK (AP) — A series of weak economic reports sent the stock market plunging to its lowest level in a month on Wednesday.

Companies like miners, banks and chemical makers, whose fortunes are most closely tied to the prospects for growth, led the market lower.

The troubling data included weak hiring at private companies, a plunge in mortgage applications and sluggish orders to U.S. factories.

The Dow Jones industrial average fell 217 points and finished at 14,960, a drop of 1.4 percent. It was the first close below 15,000 since May 6 and the biggest decline in seven weeks.

Stocks started lower and declined steadily throughout the day. After rising every month this year and climbing to record levels this spring, some investors said a significant pullback was overdue.

"The rally is tired and people are taking some profits." said Brad Reynolds, at investment adviser LJPR.

Investors were also unnerved by a sharp 11.5 percent drop in mortgage applications last week. That was a disappointment because the rebound in housing has been one of the key factors supporting the stock market's record-breaking rally this year.

Housing stocks slumped in response. Beazer Homes fell 60 cents, or 3.1 percent, to $18.78. D.R. Horton dropped 27 cents, or 1.2 percent, to $22.65.

The fall in applications came as mortgage rates rose to the highest point since April 2012. The increase is being driven by higher yields in the bond market. The yield on the 10-year Treasury note climbed as high as 2.2 percent last week, the highest in more than two years.

There was also disappointing news on hiring, another one of the key supports for the market's rally this year.

A measure of employment in the service sector fell to the lowest level since last July. That was a troubling sign because service companies, a broad category that includes entertainment, transportation and health care, have been the main source of job gains.

Earlier Wednesday, payroll provider ADP said U.S. businesses added just 135,000 jobs in May, the second straight month of weak gains. Both increases are much lower than those reported by ADP over the winter, which averaged more than 200,000 a month from November through February.

The stock market's recent bout of volatility began May 22 as traders parsed comments from Federal Reserve Chairman Ben Bernanke and minutes from the last meeting of the Fed's policy committee for clues about when the bank would pull back on its $85 billion in monthly bond purchases.

Since then investors have become increasingly sensitive to economic reports as they try to anticipate when the Fed will act. The bank's bond-buying program, which is intended to keep interest rates low and encourage lending, has supported markets this year. On some days stocks have rallied after poor economic reports led traders to anticipate that the Fed would keep the stimulus going.

On Wednesday, though, the stock market's decline was unambiguous.

The Standard & Poor's 500 index ended down 22.48 points, or 1.4 percent, at 1,608.90. The index is 3.6 percent below its record close of 1,669 reached May 21. It's still up 12.8 percent this year.

The Nasdaq composite dropped 43.78 points, or 1.3 percent, to 3,401.48. The index closed at its lowest level in a month.

Intel fell the most in the Dow, dropping 66 cents, or 2.6 percent, to $24.70. Aluminum maker Alcoa was close behind. It declined 18 cents, or 2.2 percent, to $8.20. All 30 members of the index dropped.

The Dow has fallen for two days in a row. The index has gone without a three-day losing streak since December 26, a record 110 trading days, according to Schaeffer's Investment Research.

As traders sold stocks Wednesday, they moved money into the haven of U.S. government bonds. The yield on the 10-year Treasury note fell to 2.09 percent from 2.15 percent late Tuesday.

U.S. stocks joined a global rout that began in Asia. Japan's benchmark Nikkei 225 index plunged after investors were disappointed at the lack of detail in a keynote speech on the economy from Japanese Prime Minister Shinzo Abe. The Nikkei fell 3.8 percent to 13,014.

European stock markets also fell. Indexes slipped 2.1 percent in Britain, 1.9 percent in France, and 1.2 percent in Germany.

"Everywhere is red," said Mark Schwartz, chief market strategist, at Lightspeed Financial. "It's just a sea of red and we're following in line."

The Nikkei has fallen 17 percent from its peak in mid-May, after soaring at the start

of the year thanks to aggressive stimulus measures from the Bank of Japan. Some market watchers drew a parallel with the U.S., where central bank stimulus has also been pushing stock prices higher.

"I'm very concerned about what's going on in Japan," said Doug Cote, chief market strategist at ING. "Some people might be scratching their head and saying that it could happen to us."

Other world indexes have also had significant declines since May 22, when the worries over the Fed easing its stimulus escalated. The FT-SE 100 in Britain is down 6.2 percent, Hong Kong's Hang Seng index is down 5.1 percent and Brazil's Bovespa is down 6.4 percent.

In commodities trading, the price of crude oil rose 43 cents, or 0.5 percent, to $93.74 a barrel. Gold edged up $1.30 to settle at $1,398.50 an ounce. The dollar fell against the euro and the Japanese yen.

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