

VENTURA COUNTY
 STAR

Saturday, July 9, 2005

Stocks score nice rebound

Dow jumps 146 points as investors move on after horrific transit attacks in London

By Gretchen Macchiarella

gmacchiarella@VenturaCountyStar.com

There is no way to get used to terrorist acts, but investors seem to have taken the financial effects of London's bombing in stride.

"These terrorist-related sell-offs tend to be increasingly short-lived," said Robert Johanson, an adviser at NBS Financial in Westlake Village.

It took less than one day for Wall Street to shake off losses from the initial

news of the mass transit attacks Thursday and post healthy gains on Friday.

The Dow Jones industrials gained more than 146 points Friday on the strength of a positive job creation report and a sharp drop in oil prices.

In general, Wall Street has been moving against major headwinds, such as rising oil prices, Johanson said. He noted the market is falling back to fundamentals and resisting "knee-jerk emotional" response.

He said his office got a few calls from people who were concerned about investments, but by the time they got on the phone the short-term drop already had started to subside. But Johanson said the uncertainty hurts the long-term growth potential.

"I think there may be more of a grinding effect over time, because they are more like sand in the machinery," he said.

Like any event that investors think is

a given, the reduced prices from a terrorist attack already may be reflected in the prices of stocks and bonds, said Lance Helfert, president of West Coast Asset Management in Ventura.

"I don't want to say anyone ever gets used to it, but I think it is priced in to the market," he said.

He said investors know there is not much they can do, and he had no calls

See RECOVERY on D3

Jobs report, oil price decline help markets to bounce back

RECOVERY
 From D1

from his wealth management clients.

Dan Hamilton, director of economics at the University of California, Santa Barbara, Economic Forecast Project, said the disruption was not likely to slow industrial production or markets the way the Sept. 11 attacks on New York did.

"In terms of the production of goods and services it doesn't look like this attack hurt that," he said.

He said it made sense that the markets hiccuped early on, but once the extent of the damage was known, the losses were made up.

Still, he said, "I didn't necessarily think they would recover so fast," he said.

Combined with falling oil prices, the

employment news was enough to encourage Wall Street's two main camps. Those who fear inflation were happy with only a modest rise in job growth and wages, while those who worried about a severe slowdown in the economy could point to another sign of steady, if slower, growth.

On Friday, a barrel of light crude settled at \$59.63, down \$1.10, on the New York Mercantile Exchange.

"I think the shock of \$60 oil has worn off and the market is focusing on the jobs report," said Russ Koesterich, senior portfolio manager at Barclays Global Investments in San Francisco. "It's also encouraging that you've had resiliency in the face of both terrorism and oil prices."

According to preliminary calculations, the Dow rose 146.85, or 1.43 percent, to 10,449.14.

The Nasdaq composite index climbed

37.22, or 1.79 percent, to 2,112.88, its best showing since Jan. 3. The Standard & Poor's 500 index was up 13.99, or 1.17 percent, at 1,211.86.

In Europe on Friday, markets shrugged off losses from the day before and started unwinding the "safe haven" moves that dominated Thursday, said Phillip Shaw, chief economist at Investec in London.

The London Stock Exchange's key index, the FTSE 100, closed up 1.4 percent at 5,232, around its level before the Thursday attacks. The index had closed at 5,229.6 on Wednesday. Germany's DAX was up 1.5 percent at 4,597.97, and in Paris, the CAC 40 benchmark was up 1.9 percent to 4,300.31.

"Although I think we will see more volatility today, I can't help feeling that the worst is over for now," said Tom Hougaard, chief market strategist at City

Index. "We had an ugly day which will be with us forever, but the markets are intact and look defiant."

Economists pointed to the adaptability of the U.S. and Spanish economies after the Sept. 11, 2001, terrorist attacks and the March 2004 train attacks in Madrid as encouragement for Britain. A key factor in both those recoveries was that the attacks were not followed by more. "If the attacks (in London) turn out to be isolated, then calm should return quickly," economists at Goldman Sachs U.S. Economics Research wrote in an analysis. "That is what transpired following the Madrid train bombings."

Analysts said the biggest risk to Britain's economic outlook from Thursday's attacks on the Underground rail system and London's bus network, which killed dozens and injured hundreds more, was the impact on consumer confidence.

Analysts said the hit to consumer confidence would be problematic because the British economy already had been showing signs of slowing. Major retailers have reported poor sales since the end of last year and the previously buoyant housing market showed signs of heading for a slump. In the first quarter of this year, growth in Britain lagged the euro region for the first time since 2001.

Shaw said the terrorist attacks — and fewer shoppers in coming days and weeks — would support a growing consensus that the Bank of England will cut interest rates by a quarter of a percentage point when it meets again next month. The bank kept rates steady when it went ahead with its meeting Thursday amid the fallout of the terrorist attacks.

— The Associated Press contributed to this report.



WEST COAST ASSET MANAGEMENT, INC.