

Another losing session on Wall St.

Stocks extend Friday's selloff amidst renewed fears about the scope of Bear Stearns recent hedge fund woes.

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NEW YORK (CNNMoney.com) -- Stocks fell Monday for the second straight day, thwarting an early rally, as Wall Street continued to worry about hedge funds hit by big losses in troubled securities backed by subprime mortgages.

The Dow Jones industrial (down 8.21 to 13,352.05, [Charts](#)) average fell about 8 points after having been up 100 points or more earlier. The broader S&P 500 (down 4.82 to 1,497.74, [Charts](#)) slid 0.3 percent, while the tech-laden Nasdaq (down 11.88 to 2,577.08, [Charts](#)) lost about 0.5 percent.

Stocks rallied in the morning, but gains evaporated following reports that investment bank Bear Stearns may have to bail out a second hedge fund, according to a Merrill Lynch analyst. On Friday, Bear Stearns said it would provide up to \$3.2 billion in financing for a struggling hedge fund it manages, which is heavily weighted with subprime debt.

The Wall Street bank is also facing a preliminary inquiry by the Securities and Exchange commission, *BusinessWeek* reported Monday. Regulators are reportedly looking into why Bear Stearns restated results of another hedge fund.

Hedge fund woes could hit Main Street

Calls to Bear Stearns were not immediately returned.

[Bear Stearns](#) (down \$4.65 to \$139.10, [Charts](#), [Fortune 500](#)) shares finished 3.2 percent lower on the New York Stock Exchange.

The near collapse of two Bear Stearns hedge funds battered stocks last week, with the Dow industrials plunging 185 points Friday, as investors worried about the risk posed by the subprime mortgage sector and raised concerns about trouble for the credit markets.

"If interest rates stay high or continue to increase we could continue to see more problems whether that's with Bear Stearns or other entities," said Alan Lancz, money manager and editor of *Lancz Letter*.

By the numbers

Earlier in the session, the National Association of Realtors reported that existing home sales slid to a four-year low of 5.99 million units in May. Economists polled by Briefing.com were expecting a reading of 6 million for the month.

Median home prices continued their recent decline, falling from a year earlier for the 10th straight month to \$223,700, according to the trade association.

The weak housing number helped dispel fears on Wall Street that the Federal Reserve would have to start raising interest rates soon, sending stocks higher.

Weakest home sales in 4 years

The central bank will begin its two-day rate setting meeting Wednesday, when policymakers are widely expected to hold the federal funds rate, an overnight lending rate for banks, at 5.25 percent.

The Fed has held interest rates steady since last August.

Investors will have plenty of economic reports to digest before the Fed convenes later this week including Tuesday's new home sales and consumer confidence readings.

Stocks in focus

In major corporate news, [CBOT Holdings](#) (down \$6.54 to \$201.00, [Charts](#)) urged its shareholders Monday to vote in favor of the proposed merger with crosstown financial exchange [Chicago Mercantile Exchange Holdings](#) (down \$6.55 to \$533.40, [Charts](#)) instead of pairing with IntercontinentalExchange Inc. CBOT Holdings shares fell over 3 percent in late afternoon trade.

[Blackstone Group](#) (down \$2.62 to \$32.44, [Charts](#)) stock tumbled 7.5 percent Monday just one day after the private equity firm [made its market debut](#) on the New York Stock Exchange, climbing 13 percent.

Shares of Dow component [General Motors](#) (up \$0.81 to \$36.27, [Charts](#), [Fortune 500](#)) climbed 2.3 percent Monday after Goldman Sachs upped its rating of the company to "buy" from "neutral" on expectations that the automaker could be successful in its planned labor talks with the United Auto Workers this year, Reuters reported.

Eighteen of the 30 Dow components finished lower.

Fortune 40: Stock picks to retire on

Rupert Murdoch's [News Corp.](#) (up \$0.18 to \$23.50, [Charts](#), [Fortune 500](#)) is closer to reaching an agreement with [Dow Jones](#) (down \$1.30 to \$57.50, [Charts](#)) over the editorial independence of the *Wall Street Journal* that could clear a way for the proposed purchase of the company, according to published reports. Dow Jones stock eased 2.2 percent.

Shares of [Doral Financial](#) (down \$0.49 to \$1.11, [Charts](#)), the financially troubled Puerto Rico lender, tumbled about 30 percent Monday after the company announced its No. 2 shareholder withdrew a takeover offer, possibly clearing the way for a buyout from Bear Stearns' private equity arm.

Market breadth was negative. On the New York Stock Exchange, losers beat winners on volume of 1.74 billion shares. On the Nasdaq, decliners beat advancers by the same ratio on volume of 2.07 billion shares.

After falling by more than a dollar earlier in the session, U.S. light crude for August ended 4 cents higher at \$69.18 a barrel on the New York Mercantile Exchange.

Treasury prices climbed in early afternoon trading, sending the yield on the 10-year note to 5.08 percent from the 5.13 percent level reached late Friday. Bond prices and yields move in opposite directions.

In currency trading, the dollar declined against the euro and the yen.

COMEX gold for August delivery fell \$2.30 to \$654.70 an ounce.