US economy, cot case!

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Asia stalls, Europe sinking, Banks insolvent/broke -- there is no economy!

> NEW YORK (Dow Jones)--Investors staged a global flight from risk Thursday that sent U.S. stocks plummeting and 10-year Treasury yields to 1940s levels, after a gloomy outlook by the Federal Reserve renewed fears of a global economic slowdown.

The Dow Jones Industrial Average fell 391.01 points, or 3.51%, to 10733.83, as investors barrelled out of stocks and into "safe" assets like the U.S. dollar, which surged. The blue-chip measure fell more than 500 points in afternoon action, averting its lowest close in a year with a late-session lift. The action built on the stock market's Wednesday selloff, when the Fed acknowledged "significant" downside risks to the economy and noted "strains" in global financial markets, a reference to debt-strapped Europe.

A weak reading on manufacturing in China contributed to the slowdown fears. Adding to the grim mood was a lack of appreciable progress in containing Europe's debt crisis, which has weighed on markets for months.

The Standard & Poor's 500-stock index shed 37.20 points, or 3.19%, to 1129.56, after touching its lowest intraday level since early August. The technology-oriented Nasdaq Composite slumped 82.52 points, or 3.25%, to 2455.67. Among New York Stock Exchange-listed issues, decliners outnumbered gainers by just over 7 to 1, while the Nasdaq losers outpaced rising issues by about 6 to 1.

All blue-chip stocks finished in the red, as did all S&P 500 sectors. Materials and energy stocks were hit hardest, falling as investors acted on their economic slowdown worries and in reaction to the fast rise of the U.S. dollar.

"They're selling literally everything," said Alan Valdes, director of floor trading at DME Securities at the NYSE. "It's the realization that things aren't getting better that has traders concerned. They're selling gold; they're selling copper; they're selling everything."

European stocks closed sharply lower. The Stoxx Europe 600 shed 4.6% to hit the lowest level in more than two years in intraday trading. Asian bourses also dropped sharply, with China's Shanghai Composite losing 2.8% on news that manufacturing activity in China contracted in September. Hong Kong's Hang Seng index slid 4.9%.

"A lot of people who had very significant investment positions based on a scenario of dollar weakness changed those position pretty violently," said Douglas Cliggott, chief U.S. equity strategist at Credit Suisse. "I think the bottom line of the Fed's decision was, 'No, we're not going to be growing our balance sheet for the foreseeable future.' It leaves the U.S. as the odd man out in this effort to, in effect, grow central bank balance sheets and weaken currencies."

The first improvement in U.S. jobless claims data in three weeks did little to change the negative tone of trading. New claims for unemployment benefits last week dropped by 9,000 to a seasonally adjusted 423,000, according to the Labor Department. The level remains too high to suggest much improvement in the stubbornly weak U.S. jobs market. In addition, the previous week's figure was revised to reflect more jobless claims.

Investors also shrugged off other modestly positive economic data Thursday morning. The Conference Board's index of leading economic indicators increased for the fourth consecutive month in August, and government data showed that U.S. home prices increased in July for the fourth straight month.

In the backdrop was a flareup in U.S. debt worries, the result of the surprise failure of a bill to fund the U.S. government through mid-November. Conservative Republicans and most Democrats teamed up for the largest defeat inflicted on the Republican House majority this year. The episode was a reminder of market gyrations this summer, when Washington was caught in an impasse of raising the limit on federal borrowing.

In corporate news, shares of Goodrich gained 10% after the aircraft-components maker agreed to be acquired by blue-chip conglomerate United Technologies for $16.4 billion in cash. United Technologies fell 8.8%.

FedEx slipped 8.2% after the package-delivery service reported fiscal first-quarter results that were higher than expected, but said it slightly reduced its earnings outlook as it looked to adjust its cost structure to match lower demand.

Red Hat gained 3%. The software company reported better-than-expected fiscal second-quarter results.

CarMax lost 11%. The used-car dealership chain's results missed estimates for the first time in about two and a half years amid a decline in customer traffic and same-store sales, which it attributed to the recent economic slowdown and weakness in consumer confidence.

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