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Wall Street jitters as uncertainty continues

- Story Highlights
- Wall Street fluctuates on Monday opening, recovering slightly after early fall
- European and Asian markets earlier tumbled in the wake of its Friday sell-off
- However, Europe's main three indexes slightly recover after Wall Street opens
- Persistent fears of U.S. and worldwide economic slowdown hurting indexes

NEW YORK (AP) -- An uneasy Wall Street fluctuated Monday after heavy selloffs in Asian and European stocks and its own sharp drop Friday.

Upbeat earnings reports out of Verizon Communications and McDonald's failed to give the market an early lift.

Investors around the world are concerned there may be more massive write-downs by big banks for subprime loan losses.

They also worry that the Federal Reserve may not cut interest rates as much as investors would like on Wednesday to stoke a weakening U.S. economy.

The [Dow Jones](#) industrial average fell 0.31 percent before climbing 0.31 percent to 12,245 at 1740 GMT.

Broader stock indicators also fell initially, with the Standard & Poor's 500 index down 0.31 percent before bouncing back to an increase of 0.49 percent at to 1,337.

The [Nasdaq](#) composite index fell 0.56 percent but was then back up 0.18 percent to 2,330.

Global market turmoil earlier continued into a second week as European and Asian markets tumbled Monday in the wake of Wall Street's sell-off Friday amid persistent worries about a possible U.S. -- and worldwide -- economic slowdown.

In Europe, Britain's [FTSE](#) dipped 1.36 percent to 5,789 at Monday's close. Germany's DAX recovered slightly from a midday 1.6 percent fall to end the day 0.03 percent up at 6819.

France's CAC 40 had declined 2.2 percent midway through, but improved to 0.61 percent down at 4848.

In Asia, China's benchmark index plummeted 7.2 percent to its lowest point in six months on concerns that a recession in the U.S. would mean less demand for Chinese-made products.

Investors around the world have been jittery for weeks about a U.S. slump, which would likely weaken demand for exports and drag on global growth. There is also concern about a worldwide credit crunch triggered by rising defaults in risky U.S. mortgages, which has led to mountains of bad assets at major American and European banks.

"There's a lot of uncertainty out there: uncertainty over the U.S. economy, uncertainty over China's economy," said Rob Hart, an analyst with Morgan Stanley in Hong Kong.

"People are also worried about contagion in Europe. If the U.S slows down, will it trigger a slowdown in Europe?" he said.

In Asia, [Tokyo](#)'s benchmark Nikkei 225 index fell nearly 4 percent to close at 13,087.91, erasing its jump on Friday, while Hong Kong's Hang Seng index sank 4.3 percent.

Declines were more modest in India, where the Sensex index -- which plunged 4 percent in the first 10 minutes of trading -- was down just 1.1 percent in late afternoon trading.

The sharpest declines came in [China](#), where the Shanghai Composite index plunged 342.39 points to 4,419.29 amid worries about weaker demand from American consumers. Concerns over the potential impact of a prolonged bout of severe winter weather also took a toll.

"Investors, especially institutional investors, are very cautious," said Chen Huiqin, an analyst at Nanjing-based Huatai Securities. She said investors were waiting for possible "market rescuing" signals from the Chinese government.

"That could have a strong impact on the market," Chen said.

Global markets dropped sharply early last week on worries about slower U.S. growth. They rebounded after a hefty three-quarters cut in U.S. interest rates by the [Federal Reserve](#) last Tuesday, as well as news of a U.S. stimulus package that Washington is hammering out.

But investors in Asia and Europe dumped shares again Monday after Wall Street sank Friday, when the Dow Jones slid 1.38 percent and the technology-heavy Nasdaq declined 1.47 percent.

Some traders said Asian markets were dropping on concern that the Fed may not slash interest rates again -- or as much as expected -- when its policy planners meet Tuesday and Wednesday.

"The possibility for a 50 basis points cut is looking less likely," said Castor Pang, a strategist at Sun Hung Kai Financial in Hong Kong, pointing to future prices in New York.

Dow futures were down 80 points, or 0.65 percent, to 12,156, while Nasdaq futures were down 16.5 points, or 0.92 percent, to 1,777.

[Japan](#)'s economy may already be contracting, said Tetsufumi Yamakawa, chief economist at Goldman Sachs Japan.

He pointed out that five of the 11 components of Japan's business condition diffusion index have already hit highs and begun to deteriorate. Declines in six of the 11 components often indicates a recession is coming.

"A recession, which was nothing more than a risk scenario six months ago, is now turning into our main scenario," Yamakawa said in a report released Friday.


Japanese traders also were cautious ahead of a slew of corporate quarterly earnings this week, including Honda Motor Co. on Wednesday and Sony Corp. on Thursday.

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