BLOODBATH AS DOW SINKS 531 POINTS

After shedding 1,000 this week, how low can average go?

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Talk about a bad week. The question now is how much worse it can get.

The Dow Jones industrial average shed 1,000 points during the week — 531 points Friday — to push the market measure into a 10% correction.

All told, the companies in the Standard & Poor's 500 have lost $1.14 trillion in market value — in just one week, says S&P Dow Jones Indices. These large stocks fell 5.8% during the week, the worst showing since the 6.5% drop in September 2011, S&P Dow Jones says.

"There will be more wringing out of this market. There's been too much optimism," Chris Johnson of JK Investment Group says.

Here are a few ways to look at how badly the market could react going forward:

▶ **Down 37%.** Currently, the S&P 500 is trading for 18.2 times its operating earnings over the past 12 months. If things were to get extremely ugly, investors might fear that the market's valuation by this measure might push to its lows. The market's lowest P-E since 1988 was 11.5 set in late 1988, says S&P Dow Jones Indices. If the S&P 500 were to fall to this low-mark valuation, which isn't a common view, that would put the index at 1,239, or 37% lower than current levels.

▶ **Down 20%.** If there's a troubling sign, it's that stock prices have continued to soar even as company's revenue growth has been stagnant. The disconnect between growth and stock prices has created the unfortunate situation where stocks are trading for 1.8 times more than the revenue generated by companies, says Jack Ablin of BMO Private Bank. The 20-year median of this measure is 1.2.

▶ **Down 9.1%.** Since the bull market started, there have been a total of 14 declines of 6% or more from previous highs — putting them in line with this decline, says Bespoke Investment Group.

▶ **Down 0%.** If the S&P 500 ends the month above 2,000 that will be a comforting sign for investors, Johnson says; 2,000 is a key level not only because it's a round number, but because it's the 20-month moving average. But if it closed the month below, watch out, Johnson says.

Neither Ablin nor Johnson think such massive declines are the most likely outcomes. Ablin points out the market has raced ahead faster than the economy — so it has been overdue to see the market's valuation come down.

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Global glut, China, volatile markets cited. **MONEY**