BUSINESS

Dow index plunges 216 points

Stocks ride roller coaster of Italian politics

By Steve Rothwell
Associated Press

NEW YORK — U.S. stocks had their worst drop in more than three months as the prospect of political paralysis in Italy raised the specter of Europe's debt crisis flaring up again.

The Dow Jones industrial average fell 216.40 points, or 1.6 percent, to 13,784.17, its biggest drop since Nov. 7.

The Standard & Poor's 500 index fell 27.75 points, or 1.8 percent, to 1,487.85, dropping below 1,500 for the first time in three weeks. The Nasdaq composite dropped 45.57 points, or 1.4 percent, to 3,116.25.

Stocks had rallied in the early going as exit polls showed that a center-left coalition in Italy that favored economic reforms in the euro region's third-largest economy was leading. That gain evaporated after a later poll predicted that the elections could result in a stalemate in the country's legislature.

"There was confidence in this election and obviously confidence imploded," said Ben Schwartz, a market strategist at Lightspeed Financial.

Investors worry about the outcome of Italy's election because it could set off another crisis of confidence in the region's shared currency, the euro.

Financial markets have swooned at the prospect of Italy or Spain being dragged into the region's government debt troubles, which have led to bailouts of Greece, Ireland and Portugal and severe disruptions in financial markets.

The Standard & Poor's 500 had its first weekly decline of the year last week. Investors sent stocks plunging after minutes from the Federal Reserve's latest policy meeting revealed disagreement over how long to keep buying bonds in an effort to boost the economy.

Fed chairman Ben Bernanke will testify before the Senate's banking committee Tuesday and again before Congress on Wednesday. Investors will watch to see if he gives any further indications about how long the central bank intends to keep providing stimulus to the economy.