Stocks down; wait on news

Debt talks weigh heavily on markets

By Joshua Freed
Associated Press

The stock market was whipsawed Tuesday as the on-again, off-again talk of a debt deal in Washington made investors wonder just how pessimistic they should be.

Stocks were flat or down all day, but the size of the losses waxed and waned depending on which politician was giving a news conference. The market closed with its first loss in a week, and yields on short-term government debt rose sharply as investors worried about the possibility of a default.

Indexes were down only slightly early Tuesday, when Republican and Democratic leaders in the Senate reported that a deal over increasing the nation's borrowing limit appeared to be getting closer. But after House Republicans came up with their own competing plan later in the day, and it was rejected by Democrats, stocks fell further.

The stakes are high, and the deadline is getting nearer. Unless the borrowing limit is raised, the U.S. will bump up against a Thursday deadline after which it can no longer borrow money to pay its bills, which could lead to a default on government debt. That possibility has rattled markets all month.

The Dow Jones industrial average fell 133.25 points, or 0.9 percent, to 15,168.01. The Standard & Poor's 500 index fell 12.08 points, or 0.7 percent, to 1,698.06. The Nasdaq composite fell 21.26 points, or 0.6 percent, to 3,794.01.

The losses were broad. All 10 industry groups in the S&P 500 fell.