

Utah analysts foresee bleak investor outlook

Economy » Some think turmoil in the stock market could last for weeks, even months.

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The Salt Lake Tribune

With plenty of fear and a lack of faith to go around, the huge sell-off that hit the nation's stock markets Thursday is likely to keep Utah investors in its grip for days or even weeks to come.

As shares of even strong-performing local companies took hits when the Dow Jones industrial average plunged nearly 513 points in the worst one-day drop since the height of the financial crisis in December 2008, analysts and advisers held out little hope for any quick relief.

"There are a lot of scared people out there," said Jeff Thredgold, a Salt Lake City economist and consultant to Zions Bank. "The key will be the jobs data" that came out on Friday. "If we get a really ugly jobs number, then we could see the selling continue."

Yet it wasn't just concerns over the nation's unemployment rate that sent investors in Utah and nationally scurrying for cover Thursday.

There was also fear that the country is slipping into a dreaded double-dip recession, along with worries that the European sovereign debt crisis is getting worse and that the U.S. government has run out of ways to stimulate the economy.

All the bromides about average investors sticking with their long-term plans and remaining calm notwithstanding, Sterling Jenson of Wells Fargo Capital Management in Salt Lake City warned that "I don't think the turmoil in the market is over yet. We could be dealing with the fallout for the next few weeks."

Jenson attributed 95 percent of the market panic to fears about Europe.

"Three years ago during the credit crisis, we saw the U.S.

government step forward and deal with the problem," Jenson said. "Well now the worries about sovereign default in Europe are growing, and the market is signaling it doesn't believe that problem is going to be resolved."

Toby Levitt, chief investment adviser at Albion Financial Group in Salt Lake City, said the stock market could remain scary for the next few months.

"Everyone seems to be worried the economy is slipping back into recession or will just bounce along with 1 or 2 percent growth. And right now there is no trend in sight, so the uncertainty is probably going to continue for a while."

If there were investors in the market who weren't surprised by the magnitude of Thursday's sell-off, it's probably because they anticipated a major correction and had taken steps to get ready for it, said James Abbot, who runs investor relations for Zions Bancorp.

"Anybody who says they weren't surprised was probably shorting stocks," Abbott said, meaning they bet prices would fall.

Zions, which owns eight banks that operate in 10 states, has worked for two years to prepare for the possibility that the economy might stumble into another recession. The bank has built up huge reserves, including \$5 billion in cash and \$14 billion in credit lines, that it can tap at any time.

Nonetheless, Zions shares on Wednesday tumbled \$1.50, or 7.2 percent, to \$19.40, their lowest closing price in almost a year. By contrast, the KBW index of 24 big banks was off 5.2 percent.

He said it's likely that Zions suffered more than other lenders because of its regional bank status. Investors see

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First Western Advisors

regionals as riskier prospects than their national peers because they operate in narrower economies and have loan portfolios that aren't as diversified.

Huntsman Corp., the worldwide chemicals conglomerate based in Salt Lake City and The Woodlands, Texas, saw its shares fall 30.5 percent to \$12.50 on Thursday. It was the largest percentage decline among all the New York Stock Exchange listed companies.

That despite the fact that just before the market opened, Huntsman reported that its second-quarter revenue was up 25 percent, while its adjusted net income was up 56 percent from the same period a year ago.

"It was a rough day," said Kimo Esplin, Huntman Corp.'s chief financial officer.

Gary Teran of First Western Advisors in Salt Lake City said he, too, was shocked by the severity of the stock market's sell-off.

"I'm afraid that if we don't get some good data points soon — good job or consumer confidence numbers — we could see another 5 to 10 percent drop in the market."

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