

Dow, stocks end sharply lower on Christmas Eve after weekend of Washington, D.C., turmoil

Janna Herron, USA TODAY Published 9:18 a.m. ET Dec. 24, 2018 | Updated 5:19 p.m. ET Dec. 24, 2018



(Photo: xijian / Getty Images)



The stock market entered the holidays on a grim note, with the Standard & Poor's 500 stopping short of bear market territory and on track for its worst December since 1931.

The plunge on a shortened trading day came as President Trump doubled down on his criticisms of the Federal Reserve and after attempts by the U.S. Treasury secretary to reassure markets unsettled investors instead.

The Standard & Poor's 500 lost 66 points, or 2.71 percent, to close out Monday at 2,351. The index is 19.77 percent off its Sept. 20 high. A bear market is when an index falls 20 percent or more from its most recent high.

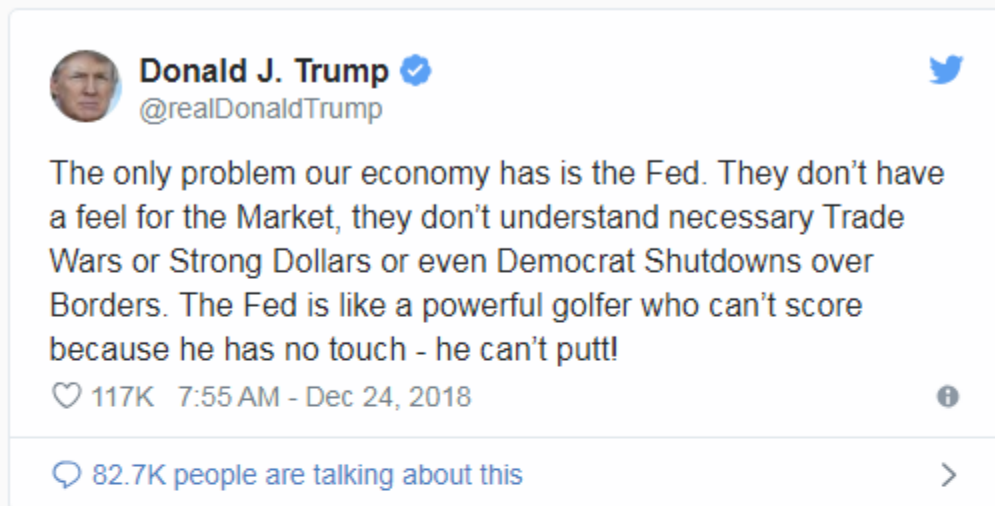
The Dow Jones Industrial average dropped 653 points, or 2.91 percent, to end at 21,792. The Dow is 18.77 percent off its high it hit on Oct. 3,

The tech-heavy Nasdaq, which fell into official bear territory on Friday, lost 140 points, or 2.21 percent, to finish at 6,193. The Russell 2000, an index of small-company stocks that's also in a bear market, ended down 25 points, or 1.95 percent, at 1,267.

"There's a lot of political unrest," said Jimmy Lee, CEO of the Wealth Consulting Group. "And when you have uncertainty and a lack of confidence in leadership, it makes investors nervous and it has. They run to safety."

The moves come after Trump reportedly discussed firing Federal Reserve Chairman Jerome Powell, blaming the recent turmoil in the stock market on the central bank's Wednesday hike of a benchmark interest rate and its rate outlook for next year.

Trump reiterated his displeasure with the central bank in a tweet on Monday.



"There is a misunderstanding between what the Fed is doing and what markets expect," said John Lynch, chief investment strategist for LPL Financial. "People were counting on one or no hikes next year and the Fed came out with two."

On Sunday, Treasury Secretary Steve Mnuchin announced that he had called the chief executives of the six biggest U.S. banks to ensure they had enough liquidity to operate normally. The unexpected move rattled investors.

Also adding to the political chaos was Trump's removal of Defense Secretary James Mattis before the general's planned departure, along with the continuing partial shutdown of the federal government.

Trump refused to sign a temporary funding bill on Thursday because it didn't include money for a border wall. A new bill, including \$5.7 billion in border funding that Democrats oppose, was dead on arrival in the Senate. It appears the impasse could last until after the New Year.

"The government shutdown doesn't destroy the economy per se, but it destroys investors' appetites to take on risk," said Benjamin Lau, chief investment officer Apriem Advisors in Irvine, California.

The market closed at 1 p.m. ET Monday, is closed on Tuesday and will reopen with regular trading hours for the rest of the week. It is again closed on New Year's Day.