# National News

## U.S. Stock Mutuals Continue Deep Drop

U.S. stock mutual funds suffered the worst quarterly performance since 1987, in the third quarter of 2001. According to preliminary data released in late September by Lipper Inc., which tracks mutual fund activity, the average diversified U.S. equity mutual fund—a mutual fund that invests in stocks—lost 19.6% of its value during the third quarter this year. In the fourth quarter of 1987, diversified equity mutual funds plunged by 21%.

The losses were across the board, with 99% of U.S. stock mutual funds experiencing losses. But two subsectors of the stock mutual fund business indicate the severity of what befell the $3 trillion stock mutual fund sector:

• "Large-capitalization-value" mutual funds, that invest in companies that have a large capitalization, that is, whose stock value ranges between several billion and several hundred billion dollars. According the Lipper Inc. report, the value of large-capitalization-value mutual funds was off 9.82% during the third quarter. That level of loss would wipe out all the gains registered by large-capitalization-value mutual funds for the last three years.

• Technology mutual funds, that invest in "technology" companies. These mutual funds have lost 23.4% of their value in the last four weeks of the third quarter, 40.3% of their value during the last quarter, and 73.6% of their value since March 2000 (paralleling the losses of the Nasdaq stock market).

Investors have started to panic, withdrawing, on a net basis, $5.25 billion from U.S. stock mutual funds during August. Trimtabs.com, which tracks the flows into and out of mutual funds, projects that during September, investors withdrew a record net $37.8 billion from stock mutual funds, nearly double the previous largest monthly level of withdrawals ever.

Lyndon LaRouche forecast that the stock bubble, especially that based on the New Economy, would melt down. Driven by the desire for a quick gain, the majority of Americans didn't listen, and now, millions of people who invested in such mutual funds have lost three-quarters of their investment.

## 'Suspicious' Stock Trades Being Probed

In the first week of October, the Securities and Exchange Commission (SEC) requested that brokerages and investment banks in the United States and Canada "search their records" for patterns of "unusual" stock trades in 38 companies between Aug. 27 and Sept. 11.

The patterns particularly identified are "put-option" orders, where investors bought the rights to sell stock at current prices, on a future date—that is, betting the stocks would drop on the sell-date, which would earn such investors a tidy bundle. The SEC investigation is probing put-options in airline and insurance company stocks, which plummetted after the Sept. 11 attacks. Reportedly, German and British regulatory authorities are investigating similar patterns. The companies that have been named are:

• Airlines: American and its parent company AMR, Continental, Delta, Northwest, Southwest, United and UAL, and USAirways.

• Insurance: AIG, Chubb, Axa, Cigna, CNA Financial, John Hancock, MetLife, and Royal & Sun Alliance.

• Defense/Aerospace: Boeing and Lockheed Martin.

• Some of Wall Street's leading lights: Morgan Stanley, Lehman Brothers, Bank of America, March & McLennan, American Express, Bank of New York, Bank One, Bear Stearns, and Citigroup.

## NAPM: Manufacturing Drops For 14th Month

The National Association of Purchasing Managers (NAPM) reported on Oct. 1 that "economic activity in the manufacturing sector declined for the 14th consecutive month in September." In September, the NAPM manufacturing index fell to 47.0, from a level of 47.9 in August. The NAPM reports that an index "reading above 50% indicates that the manufacturing economy is generally expanding; below 50% indicates that it is generally contracting."

The NAPM index of non-manufacturing business activity fell to a four-year low, to 45.5 in August from 48.9 in July.

## AFL-CIO Tallies Huge Layoffs Since Sept. 11

According to an Oct. 2 release from the AFL-CIO, nearly 200,000 layoffs have been announced just since Sept. 11, across all layers of economic activity from the Miami City Ballet and Los Angeles Society for the Prevention of Cruelty to Animals to American Airlines and Boeing and machine-tool maker Milacron. "In New York City alone," says the release, citing figures from the Fiscal Policy Institute, "an estimated 108,500 jobs will have been lost within a month" of Sept. 11. "An estimated $6.7 billion has been lost in wages and compensation there, with an estimated $16.9 billion in total output lost."

The release, which erroneously attributes all the layoffs to the Sept. 11 terror attacks, rather than the economic depression which the AFL-CIO has refused to acknowledge, tallies the lost jobs by sector, and notes which companies are filing for bankruptcy protection, or freezing wage increases, or whose CEOs will work without pay, etc.

Subtotals are as follows: transportation, 112,940; services, 21,446; manufacturing, 62,732; public sector, 1,020; retail, 950; agriculture, 150.

In a similar depression announcement, Nortel Networks communications giant announced plans on Oct. 2 to cut an additional 20,000 jobs, citing a third-quarter loss of $3.6 billion. The largest maker of phone equipment, Nortel will now have 45,000 employees, less than half its workforce at the beginning of the year. As of July 1, the company had already announced 30,000 layoffs in the United States.