

# Stocks Continue Slide As China Adds To Worries

BY STEVE ROTHWELL  
AP Markets Writer

NEW YORK — For investors, there was no place to go on Thursday.

A day after the Federal Reserve roiled Wall Street when it said it could reduce its aggressive economic stimulus program later this year, financial markets around the world plunged. A slowdown in Chinese manufacturing and reports of a squeeze in the world's second-biggest economy heightened worries.

The global selloff began in Asia and quickly spread to Europe and then the U.S., where the Dow Jones industrial average fell 353 points, wiping out six weeks of gains.

But the damage wasn't just in stocks. Bond prices fell, and the yield on the benchmark 10-year note rose to 2.42 percent, its highest level since August 2011, although still low by historical standards. Oil and gold also slid.

"People are worried about higher interest rates," said Robert Pavlik, chief market

strategist at Banyan Partners. "Higher rates have the ability to cut across all sectors of the economy."

The question now is whether the markets' moves on Thursday were an overreaction or a sign of volatility to come. What is becoming clearer is that traders and investors are looking for a new equilibrium after a period of ultra-low rates, due to the Fed's bond-buying, which spawned one of the great bull markets of all time.

It doesn't mean the stock run-up is over. After all, the S&P 500 is still up 11.4 percent for the year and 135 percent since a recession low in March 2009. But it may suggest the start of a new phase in which the fortunes of the stock market are tied more closely to the fundamentals of the economy.

And that might not be a bad thing. The reason the Fed is pulling back on the bond-buying is because its forecast for the economy is getting brighter.

The job market is improving, corporations are making record profits and the

housing market is recovering.

"People are overreacting a little bit," said Gene Goldman, head of research at Cetera Financial Group. "It goes back to the fundamentals, the economy is improving."

The Dow's drop Thursday — which knocked the average down 2.3 percent to 14,758.32 — was its biggest since November 2011. It comes just three weeks after the blue-chip index reached an all-time high of 15,409. The index has lost 560 points in the past two days, wiping out its gains from May and June.

The Standard & Poor's 500 lost 40.74 points, or 2.5 percent, to 1,588.19. It also reached a record high last month, peaking at 1,669.

Small-company stocks fell more than the rest of the market Thursday, a sign that investors are aggressively reducing risk. The Russell 2000 index, which includes such stocks, slumped 25.98 points, or 2.6 percent, to 960.52. The index closed at a record high of 999.99 points Tuesday.

The yield on the 10-year Treasury note

rose to 2.42 percent, from 2.35 percent Wednesday. The yield, which rises as the price of the note falls, surged 0.16 percentage point Wednesday after the Fed's comments. It's up sharply since May 3, when it hit a year low of 1.63 percent.

A Fed policy statement and comments from Chairman Ben Bernanke started the selling in stocks and bonds Wednesday.

Bernanke said that the Fed expects to scale back its massive bond-buying program later this year and end it entirely by mid-2014 if the economy continues to improve.

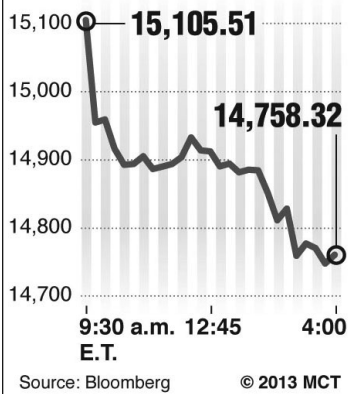
The bank has been buying \$85 billion a month in Treasury and mortgage bonds, a program that has made cheap for consumers and business. It has also helped boost the stock market.

Alec Young, a global equity strategist at S&P Capital IQ, said investors weren't expecting Bernanke to say the program could end so quickly, and are adjusting their portfolios in anticipation of higher U.S. interest rates.

## Stocks slide

*The Dow Jones Industrial Average fell by more than 2 percent in the worst trading day of the year.*

Prices every 15 minutes



## Obama To Announce Nomination For FBI Head

WASHINGTON (AP) — President Barack Obama on Friday plans to nominate President George W. Bush's former No. 2 at the Justice Department, Jim Comey, to lead the FBI as the agency grapples with privacy debates over a host of recently exposed investigative tactics.

If confirmed by the Senate, Comey would serve a 10-year tenure and replace Robert Mueller, who has held the job since the week before the terrorist attacks on Sept. 11, 2001. Mueller is set to resign on Sept. 4 after overseeing the bureau's transformation into one the country's chief weapons against terrorism.

The White House said in a statement that Obama would announce his choice of Comey on Friday afternoon.

Comey was a federal prosecutor who severed for several years as the U.S. attorney for the Southern District of New York before coming to Washington after the Sept. 11 attacks as deputy attorney general. In recent years he's been an executive at defense company Lockheed Martin, general counsel to a hedge fund, board member at HSBC Holdings and lecturer on national security law at Columbia Law School.

The White House may hope that Comey's Republican background and strong credentials will help him through Senate confirmation at a time when some of Obama's nominees have been facing tough battles. Republicans have said they see no major obstacles to his confirmation, although he is certain to face tough questions about his hedge fund work, his ties to Wall Street as well as how he would handle current, high-profile FBI investigations.

## Circumstances Allow NSA To Keep Records

WASHINGTON (AP) — The National Security Agency can keep copies of intercepted communications from or about U.S. citizens if the material contains significant intelligence or evidence of crimes.

That's according to exemptions in NSA's top secret rules published Thursday in the latest leak of classified U.S. materials.

Top secret documents published by *The Guardian* describe how NSA must first build a case in order to target a foreigner for phone or Internet surveillance. The documents also describe how the agency is to make sure the person is outside the U.S. — and not an American.

But if the target is communicating with an American, the record of contact can be kept indefinitely. Administration officials have said material NSA inadvertently gathers on Americans is destroyed. NSA did not immediately respond to requests for comment.

## All-Women Jury Chosen For Zimmerman's Trial

SANFORD, Fla. (AP) — A jury of six women, five of them white, was picked Thursday to decide the second-degree murder trial of George Zimmerman, a neighborhood watch volunteer who says he fatally shot Trayvon Martin, an unarmed black teenager, in self-defense.

Prosecutors have said Zimmerman, 29, racially profiled the 17-year-old Martin as he walked back from a convenience store on a rainy night in February 2012 wearing a dark hooded shirt.

The race and ethnicity of the sixth juror was not immediately available. Zimmerman identifies himself as Hispanic.

Two of the jurors recently moved to the area — one from Iowa and one from Chicago — and two are involved with rescuing animals as their hobbies.

One juror had a prior arrest, but she said it was disposed of and she thought she was treated fairly. Two jurors have guns in their homes. All of their names have been kept confidential and the panel will be sequestered for the trial.

## Study: Third Of Women Assaulted By Partner

LONDON (AP) — In the first major global review of violence against women, a series of reports released Thursday found that about a third of women have been physically or sexually assaulted by a former or current partner.

The head of the World Health Organization, Dr. Margaret Chan, called it "a global health problem of epidemic proportions," and other experts said screening for domestic violence should be added to all levels of health care.

Among the findings: 40 percent of women killed worldwide were slain by an intimate partner, and being assaulted by a partner was the most common kind of violence experienced by women.

Researchers used a broad definition of domestic violence, and in cases where country data was incomplete, estimates were used to fill in the gaps. WHO defined physical violence as being slapped, pushed, punched, choked or attacked with a weapon. Sexual violence was defined as being physically forced to have sex, having sex for fear of what the partner might do and being compelled to do something sexual that was humiliating or degrading.

The report also examined rates of sexual violence against women by someone other than a partner and found about 7 percent of women worldwide had previously been a victim.

## Christian Group Apologizes To Gay Community

The leader of Exodus International, a Christian ministry that worked to help people repress same-sex attraction, has apologized to the gay community for inflicting "years of undue suffering." He plans to close the organization while launching a new effort to promote reconciliation.

"The church has waged the culture war, and it's time to put the weapons down," Alan Chambers told The Associated Press on Thursday, hours after announcing his decision at Exodus' annual conference and posting his apology online.

"While there has been so much good at Exodus, there has also been bad," Chambers said at the conference. "We've hurt people."

Based in Orlando, Fla., Exodus was founded 37 years ago and claimed 260 member ministries around the U.S. and abroad. It offered to help conflicted Christians rid themselves of unwanted homosexual inclinations through counseling and prayer, infuriating gay rights activists in the process.

Exodus had seen its influence wane in recent years as mainstream associations representing psychiatrists and psychologists rejected its approach. However, the idea that gays could be "converted" to heterosexuality through prayer persists among some evangelicals and fundamentalists.

# Taliban Offer To Free U.S. Soldier

BY KATHY GANNON AND KAY JOHNSON  
Associated Press

KABUL, Afghanistan — The Taliban proposed a deal in which they would free a U.S. soldier held captive since 2009 in exchange for five of their most senior operatives at Guantanamo Bay, while Afghan President Hamid Karzai eased his opposition Thursday to joining planned peace talks.

The idea of releasing these Taliban prisoners has been controversial. U.S. negotiators hope they would join the peace process but fear they might simply return to the battlefield, and Karzai once scuttled a similar deal partly because he felt the Americans were usurping his authority.

The proposal to trade U.S. Army Sgt. Bowe Bergdahl for the Taliban detainees was made by senior Taliban spokesman Shaheen Suhail in response to a question during a phone interview with The Associated Press from the militants' newly opened political office in Doha, the capital of the Gulf nation of Qatar.

The prisoner exchange is the first item on the Taliban's agenda before even starting

peace talks with the U.S., said Suhail, a top Taliban figure who served as first secretary at the Afghan Embassy in the Pakistani capital of Islamabad before the Taliban government's ouster in 2001.

"First has to be the release of detainees," Suhail said Thursday when asked about Bergdahl. "Yes. It would be an exchange. Then step by step, we want to build bridges of confidence to go forward."

The Obama administration was noncommittal about the proposal, which it said it had expected the Taliban to make.

"We've been very clear on our feelings about Sgt. Bergdahl and the need for him to be released," State Department spokeswoman Jen Psaki said. "We have not made a decision to ... transfer any Taliban detainees from Guantanamo Bay, but we anticipate, as I've said, that the Taliban will all raise this issue."

Bergdahl, 27, of Hailey, Idaho, is the only known American soldier held captive from the Afghan war. He disappeared from his base in southeastern Afghanistan on June 30, 2009,

and is believed held in Pakistan. Suhail said Bergdahl "is, as far as I know, in good condition."

Donna Thibedeau-Eddy, who has spent the last few days at the Idaho home of the soldier's parents, Bob and Jani Bergdahl, said the family was hopeful.

"I was with his Mom and Dad this morning when they got the news of the exchange offer. They were ecstatic," said Thibedeau-Eddy. "They actually saw the news before they got the call from the military. Bob saw it online and said 'Jani, Donna, look at this.'"

While there have been talks before, Bob Bergdahl is putting more faith and hope into the latest developments because it appears the Taliban are taking the initiative, Thibedeau-Eddy said.

Bergdahl's parents received a letter this month from their son through the International Committee of the Red Cross. They did not release details of the letter. The soldier's captivity has been marked by only sporadic releases of videos and information about his whereabouts.

## Rivalries Complicate Arms Pipeline To Syria Rebels

BY SARAH EL DEEB  
Associated Press

BEIRUT — Syria's rebels have received shipments of more powerful weapons from Gulf allies in recent weeks, particularly anti-tank and anti-aircraft missiles, that have already helped stall aggressive new advances by regime forces.

But those same shipments have sparked feuding and squabbling among rebel factions, illustrating the complications the United States will face as it starts directly arming the rebels, a major policy shift by the Obama administration.

Every shipment enters a tangle of complex rebel politics, with dozens of brigades and battalions operating on the ground, riven by jealousies, rivalries and competition, with radical Islamist fighters dominant. Moderate brigades complain Islamists are being favored. Islamists say they are being unfairly blamed. On the ground, rebels are making efforts to organize themselves to better funnel weapons and more effectively fight, but they often stumble over the same splits.

The new shipment earlier this month — said to be only the second sent by Gulf countries since November, and the first ever known to include some anti-aircraft missiles — caused a stir among rebels who say it went to one of the extreme Islamist groups, Ahrar al-Sham. The group is the strongest member of the Syrian Islamist Front, made up of 11 Islamist factions, which appears to be increasingly posing as a parallel to the Western-backed Free Syrian Army, a loose umbrella group of rebel fighters.

"The distribution was not fair," said Zeineddine al-Shami, a spokesman for the First Brigade of the Free Syrian Army in the Damascus area. "It was random, based on the people they know."

Rebels in the Damascus area have struggled in recent weeks against a stepped-up campaign by regime forces, backed by Lebanese Hezbollah and Iraqi Shiites fighters, to push them out of suburbs that have been rebel strongholds.

Ahrar al-Sham is one of the most well-established rebel groups to emerge in the Syrian conflict, with fighting units in nearly all the provinces. It has coordinated to some degree with the new unified Supreme Military Council of the Free Syrian Army, created in December to incorporate the disparate rebel brigades, but it still maintains an independent command.

## ATLANTIS FINDS A NEW HOME



RED HUBER/ORLANDO SENTINEL/MCT  
The space shuttle Atlantis is showcased as if it were in orbit on Thursday at its new \$100 million home at Florida's Kennedy Space Center Visitor Complex. Opening to the public is scheduled for June 29.

# Border Security: Senate Immigration Bill Gets Boost

BY DAVID ESPO  
AND ERICA WERNER  
Associated Press

WASHINGTON — A breakthrough at hand, Republicans and Democrats reached for agreement Thursday on a costly, military-style surge to secure the leaky U.S.-Mexican border and clear the way for Senate passage of legislation giving millions of immigrants a chance at citizenship after years in America's shadows.

Lawmakers in both parties described a southern border that would be bristling with law enforcement manpower and technology as a result of legislation at the top of President Barack Obama's second-term domestic policy agenda. The emerging deal called for a doubling of the Border Patrol, with 20,000 new agents, 18 new unmanned surveillance drones, 700 miles of fencing and an array of fixed and mobile devices to maintain vigilance.

"This is a border surge. We have militarized our border, almost," said Sen. Lindsey Graham, a South Carolina Republican.

"Boots on the ground, drones in the air," summed up Sen. Chuck Schumer, the New York Democrat who has been at the center of ef-

**"Boots on the ground,  
drones in the air."**

**SEN. CHUCK SCHUMER**

forts to push immigration legislation through the Senate.

The plan was announced by Sens. John Hoeven of North Dakota and Bob Corker of Tennessee. Republicans who had been publicly uncommitted on the legislation. Both said other GOP fence-sitters would also swing behind the measure if the changes were incorporated, and by late in the afternoon, two had done so.

A final vote on the legislation is expected by the end of next week.

The next move would be up to the House, where majority Republicans are overwhelmingly opposed to granting citizenship to immigrants living in the United States illegally. Talks on any final compromise would be held in the fall — if then.

The White House declined to respond to requests for comment on the Senate proposal, even though congressional officials said administration officials were involved in the formal drafting of the terms.

Under the emerging deal, an estimated 11 million immigrants liv-

ing in the United States illegally would be eligible to obtain legal status while border security was increased. They could not be awarded green cards, which bestow permanent residency status, until the entire border enhancement plan had been put into place.

That effectively would give the government a decade to set up the additional security, since the legislation envisions a pathway to citizenship that gives immigrants provisional status after six months but requires them to wait at least a decade before they become eligible for green cards.

Despite the changes, the legislation appeared certain to retain the basic contours negotiated over many months by a so-called Gang of Eight, four senators from each party.

Whatever its impact on the bill's prospects, the deal failed to satisfy a group of conservative Senate critics who want proof that the border has been secured before legalization begins, rather than the mere placement of new agents and equipment.

"My impression is this is a promise of future performance and there is no contingency in the form of a trigger" to assure its effectiveness, said John Cornyn, R-Texas.