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Yesterday's Man attracts second broker downgrade

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Man Group, the world's largest listed hedge fund manager, plunged for a second day, losing 23 per cent amid growing fears of customer redemptions and that banks will force it to sell down more assets.

Citigroup followed Morgan Stanley's downgrade on Tuesday, cutting its price target from 570p to 265p. Citi said that Man, down 58p at 190p, was becoming increasingly reliant on one fund, AHL, to generate growth and that this would increase volatility.

Fitch's credit downgrade, also on Tuesday, pointed out that at the end of September Man's off-balance sheet vehicle had drawn down $12 billion (£8 billion) of a $16 billion facility to make geared investments. While it has no legal duty to service this debt itself, in the event of a default on debt payments Man may feel obliged to provide the cash, Fitch said.

Nerves over the hedge fund sector were stoked by a surge in volumes of derivatives known as "sector swaps", which might indicate hedge funds selling down positions to meet client redemptions. Industry research from EurekaHedge showed that redemptions across the global industry in October had soared to $60 billion.

American shares in Fortress Investment, a highly leveraged fund specialising in property, were under pressure before the release of third-quarter figures. There is talk that its funds have plunged to a tenth of earlier values and that it might have to restructure, allowing investors to cash out. It has a controlling stake in **Mapeley**, the British property company, which was up 5p to 224p from a record low.

The FTSE 100 fell 64.67 points to 4,182.02 after Henry Paulson, the US Treasury Secretary, indicated that the $700 billion bank bailout plan may not be used to buy up toxic debt.

Hard-pressed miners were dealt a new blow after China announced plans to raise VAT on metal ores from January 1. **Kazakhmys**, the copper miner, fell 30½p to 274½p. **Eurasian Natural Resources** fell 19½p to 263½p. **Xstrata** fell 76p to close at £10 as Glencore, one of its shareholders, said that it might look at disposal options next year.

Thomas Cook fell 16.9p to 152.2p after Investec cut it to "sell", saying that Arcandor, its German parent, might be forced to sell its 53 per cent stake to raise cash. Kuoni, its Swiss rival, also reported a drop in UK sales on Tuesday. **British Airways** fell 10.9p to 143.1p after the chairman of Iberia, its merger partner, confirmed that BA's giant pension deficit was proving a hurdle to the deal.

BAE Systems was one of the few gainers, closing up 1p at 333¾p after the US military nearly doubled the size of an order for its lightweight vehicles to $3.7 billion.

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Falling prices for recycled paper caused Goldman Sachs to downgrade **Pennon**, the water company, which owns Viridor, the waste disposal group. Pennon fell 6 per cent to 536p. **Enterprise Inns** slid 25½p to 84½p before full-year results next Tuesday. There are worries that it might slash the dividend to help to service debt. **DSG International** fell 3¾p to 28¼p after a Best Buy profit warning in America.

New York: Shares tumbled after the US Government backed away from using its $700 billion bailout to mop up troubled mortgage-backed securities and added to uncertainty about how it aims to revive bank lending. The Dow Jones industrial average closed down 411.30 points at 8,282.66.