

WALL STREET JOURNAL, May 4, 2009, 1:20 PM ET

US Stocks Up After Signs Of Strength In Economic Data

By Peter A. McKay and Rob Curran

U.S. stocks rallied across the board on Monday and the broad Standard & Poor's 500 was on the brink of turning positive for 2009 after readings of increased construction spending and pending-home sales.

Bears had long contended that a slower rate of economic decline was no reason to buy stocks, so these positive numbers bolstered the bullish case for the stock market and an imminent recovery. The government reported that U.S. construction spending rose for the first time in six months during March as stimulus spending kicked in, while pending sales of existing homes rose 3.2% for the month.



Associated Press

Specialist Damen Watson, center, works at the post on the floor of the New York Stock Exchange that handles MasterCard on May 4.

The Dow Jones Industrial Average was higher by 163 points, or 2%, to 8371. The S&P 500 gained 2.2% to 896, within 1% of turning positive for the year to date, helped by gains in all its sectors. Economically sensitive sectors led the way, with basic materials stocks up 6.9% as a group, while energy and consumer discretionary stocks rose more than 5%.

Some portfolio managers may be playing catchup after missing out on the early part of a rally that has taken the S&P 500 up 34%.

"If you're one of the big bears out there, you really have to worry that you haven't participated," Robert Pavlik, chief market strategist at Banyan Partners in New York. "You're seriously underperforming at this point."

In recent months, Pavlik has been buying basic-materials names like steelmaker Nucor and mining giant Freeport-McMoRan Copper & Gold as bets on a potential U.S. recovery.

Among financial bellwethers on Monday, Citigroup was up 4% and Bank of America advanced 6% ahead of the expected release later this week of the results of the government's stress tests of key banks. BofA denied a report that it's seeking to raise an additional \$10 billion in capital.

"If you look back to the profit reports these banks put out, the numbers looked good but there were accounting moves that left a lot unanswered," including the value of soured credit bets still lingering on the firms' books, said Alan Haft, president of the portfolio-management firm Haft Financial in Irvine, Calif.

The Nasdaq Composite Index rose 1.7%. Chip stocks and other technology issues are a favorite play for those betting on an economic recovery, because corporations and consumers are likely to buy computers, cellphones and other electronics when their spending picks up.

Stocks were generally stronger overseas, with markets in Asia climbing after data showed an improvement in Chinese manufacturing activity. Hong Kong's Hang Seng Index jumped 5.5%, reclaiming the 16,000-point level for the first time since mid-October. Markets in Japan were closed for a holiday. In Europe, stocks made modest gains. Markets in the U.K. were also closed for a holiday.

Airline stocks rose on hopes that travel demand would withstand the swine flu outbreak. The World Health Organization moved closer to declaring the new strain a global pandemic, but health officials cautioned that declaring a pandemic doesn't mean the disease, which has proven mild outside of Mexico, is deadly to most people or will sweep the entire globe.

Delta Air Lines shares were up 11%, Continental Airlines rose more than 18% and Southwest Airlines climbed 4%. Cruise-ship operator Carnival gained 11%.

General Motors rose 2% as Fiat Chief Executive Sergio Marchionne stepped up his plan to acquire a majority stake in GM's German unit Opel. Marchionne is expected to meet senior German government officials in Berlin on Monday. Fiat shares surged in European trading.