



Utilities help pull stocks higher after early fall

By Tim Paradis
September 14, 2009

NEW YORK — Stocks bounced back from early losses to post moderate gains as traders funneled money into utility and financial stocks.

Major market indexes ended at their highest levels in nearly a year.

Stocks slid at the open following a drop in overseas markets on worries that a trade war would erupt between the U.S. and China. But the market recovered from an early dip that sent the Dow Jones industrial average down 69 points as investors seized on the opportunity to inject new money into shares. The Dow ended with a gain of 21 points.

Utility AES Corp. helped pull the market higher after The Wall Street Journal reported that China's investment arm is interested in buying a stake in the company.

Analysts said the market's gains are impressive because the Standard & Poor's 500 index has already jumped 55.1 percent in six months.

"We open lower and buyers seem to chip away, and we climb higher," said Adam Gould, senior portfolio manager at Direxion Funds in New York. "It's somewhat healthy that we're rallying this way — slowly."

The Dow rose 21.39, or 0.2 percent, to 9,626.80. The broader Standard & Poor's 500 index rose 6.61, or 0.6 percent, to 1,049.34, an 11-month high. The Nasdaq composite index rose 10.88, or 0.5 percent, to 2,091.78.

The early losses came after the U.S. government late Friday imposed trade penalties on tires coming from China. The Chinese government filed a complaint with the World Trade Organization. Investors had worried it would erupt into a tariff dispute that could damage an economic recovery.

Monday's zigzags came in sharp contrast to the tumult of a year ago, when the collapse of Lehman Brothers Holdings Inc. sent the Dow down 500 points in one day and jammed the credit markets that power the world's economies. The S&P 500 index is still down 16.2 percent from that time and 33 percent from its peak in October 2007.

Traders reacted coolly to a speech across the street from the New York Stock Exchange from President Barack Obama, who warned the financial industry against repeating the recklessness that led to collapse of Lehman Brothers.

Richard Ross, global technical strategist at Auerbach Grayson in New York, said the economy still faces obstacles but that the market could extend its recovery because

investors are more optimistic than major stock indicators plunged to 12-year lows in early March.

"Questions remain but a lot of the uncertainty has largely been removed. That sort of doomsday scenario has been taken off the table," he said. "We're striking a much healthier balance between greed and fear."

Investors have little economic news to provide insight into whether they have been right to bet on an economic recovery. Reports on retail sales, inflation, industrial production and housing are due this week. Improvements in consumer spending and the housing market are considered crucial to allowing the economy to mount a strong rebound.

Randy Cass, founder of financial services research group First Coverage in Boston, said stocks could push higher as year-end approaches because many investors are looking past weak economic numbers toward an eventual recovery.

"They have made their bets and the chips have been on the table since the first part of March," he said, referring to the start of the rally.

In downturns in the past 60 years, the S&P 500 index has hit bottom an average of four months before a recession ended and about nine months before unemployment reached its peak.

Shares of AES rose 64 cents, or 4.5 percent, to \$14.79 following the report of interest from China. Among financials, JPMorgan Chase & Co. rose \$1.25, or 2.9 percent, to \$43.75.

Crude oil fell 43 cents to settle at \$68.86 a barrel on the New York Mercantile Exchange.

Bond prices fell, pushing yields higher. The yield on the benchmark 10-year Treasury note rose to 3.43 percent from 3.35 percent late Friday.

The recovery in the credit market in the past year has been pronounced. When Lehman collapsed, investors began rushing into the safety of government debt. Borrowing costs have fallen since March as governments have injected cash into financial markets.

The dollar traded mixed against other major currencies, while gold prices fell.

The Russell 2000 index of smaller companies rose 6.44, or 1.1 percent, to 600.03.

Two stocks rose for every one that fell on the NYSE, where volume came to 1.2 billion shares compared with 1.6 billion Friday.

Britain's FTSE 100 rose 0.2 percent, while Germany's DAX index and France's CAC-40 slipped 0.1 percent. Japan's Nikkei stock average fell 2.3 percent.