Business

Bank, energy stocks pull market higher

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Associated Press

NEW YORK — Traders are betting improving prospects for banks and rising energy prices will pay off.

Stocks rose for the fifth time in six days following a rally in financial and energy shares. Analysts have upgraded bank stocks and oil prices hit fresh highs for the year.

Investors gained some confidence in the prospects for the overall economy after the number of workers continuing to receive unemployment benefits unexpectedly fell for the first time in 20 weeks. Analyst upgrades of bank stocks and rising oil prices attracted investor dollars to those parts of the market.

The drop in unemployment rolls, as well as in weekly claims, provided investors a fresh nugget of hope that the economy could be finding a more stable footing. The idea that the economy is halting its slide has driven a powerful rally that has lifted stocks more than 30 percent in three months.

The data arrived a day ahead of the government's monthly tally of job losses — often seen as the most important report on the economic calendar. Investors are looking for any sign that unemployment is ebbing because that could help shore up consumer spending, retail sales and the housing market.

"Things seem to have stabilized and people are hunting for any sort of information they can get to determine the next move in the market and the economy," said Jim Sinegal, equity analyst at Morningstar in Chicago.

According to preliminary calculations, the Dow Jones industrial average rose 74.96, or 0.9 percent, to 8,750.24. The broader Standard & Poor's 500 index rose 10.70, or 1.2 percent, to 942.46, and the Nasdaq composite rose 24.10, or 1.3 percent, to 1,850.02.

The gains in financial and energy stocks overshadowed mixed reports from retailers on their May sales.

Banks got a boost after RBC Capital Markets analysts said the worst of the financial crisis is over. The KBW Bank index, which tracks 24 of the nation's largest banks, rose 4.8 percent.

KeyCorp. jumped 90 cents, or 19.6 percent, to $5.50 after an upgrade from RBC, while Goldman Sachs Group Inc. rose $7.32, or 5.2 percent, to $149.47 after a Bernstein Research analyst raised his rating.

The improved data on unemployment claims and a weak dollar helped push oil prices to fresh highs for the year. That helped energy companies. Anadarko Petroleum Corp. rose $1.52, or 3.2 percent, to $48.57, while Occidental Petroleum Corp. advanced $1.75, or 2.6 percent, to $68.62.

Retailers like Macy's Inc. and Abercrombie & Fitch Co. lost ground as traders worried that shoppers were still reluctant to spend. A year ago, sales benefited from government stimulus checks. Macy's fell 44 cents, or 3.3 percent, to $12.88, while Abercrombie slid $3.75, or 11.8 percent, to $27.95.

Investors have been grappling with mixed signals on the economy. The market's surge this spring since hitting 12-year lows on March 9 has been driven by better-than-expected data. But investors are now looking for clear indications that the economy is improving.

"If we're on the cusp of a recovery and a convincing recovery, then the stock market makes all the sense in the world," said Michael Darda, an economist with MKM Partners in Greenwich, Conn. "If it turns out there is no recovery until next year, then the market could run into some trouble."

On Wednesday, disappointed investors broke a four-day winning streak in the market and sold stocks on weaker-than-expected reports on factory orders and the services industry.

The S&P and Nasdaq hit their highest levels of the year on Tuesday, while the Dow has yet to return to the black for 2009 since the first few days of January.