Big day for stocks



Specialist Robert Nelson works on the floor of the New York Stock Exchange on Thursday. The Dow Jones Industrial Average on Thursday jumped 212 points following big gains in European markets.

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Dow blows past 13,000

BY CHRISTINA REXRODE
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NEW YORK — Faced with Facebook, Starbucks and Angela Merkel, the market chose to focus on Merkel.

For a second day, the U.S. stock market powered higher after European leaders, including German chancellor Merkel, pledged to protect the union of 17 countries that use the euro. The Dow Jones industrial average blew past 13,000, a key psychological marker that it hadn't hit since early May.

It wasn't that there weren't any troubling signs about the economy. In fact, they abounded: U.S. economic growth was anemic in the second quarter. A measure of consumer sentiment fell in July as people worried about their job prospects. And Facebook and Starbucks dropped sharply after reporting disappointing quarterly results.

But on this day, investors homed in on a couple of remarks coming from Europe.

Most notably, Merkel and French president Francois Hollande released a joint statement saying they were "determined to do everything to protect the eurozone." That followed a similar pledge the day before from Mario Draghi, the president of the European Central Bank.

Merkel's statement was closely watched because Germany will have to sign on if any plan to keep the euro countries together is to succeed. As one of the stronger countries, Germany usually foots the bill for bailing out the weaker ones.

For all the rejoicing, a long-standing roadblock remains: Strong countries like Germany want other European nations to agree to cut spending. Weaker countries like Greece are resisting. The statement from Merkel and Hollande made clear that individual countries aren't off the hook, but "must comply with their obligations" — meaning a showdown over spending cuts is still possible.

"Talk is cheap," said Michael Strauss, chief investment strategist and chief economist at the Commonfund investment firm in Connecticut. "While there's some euphoria over this, at the end of the day, is Spain going to still be in a recession? Yes. Is Greece still going to be in a recession? Yes. So I wouldn't get too carried away."

Others said they were heartened that Europe appeared to be fleshing out more of the details of its plans. Leaders recently agreed that Europe's bailout fund could give money directly to banks, rather than slowing down the process by going through a country's government. Investors also hope that Draghi's remarks mean that Europe's powerful central bank will buy the bonds of distressed countries like Spain and Italy, lowering their borrowing costs.

"In our estimate, this is the first real step in the right direction that Europe has taken in terms of concrete plans," said Mitch Schlesinger, chief investment officer of FBB Capital Partners in Maryland. "Everything to date has been very politically motivated and kicking the can down the road. These are things that actually make a difference."