BUSINESS

Bulls rule on Wall Street

Stocks rise on year's first day of trading amid encouraging reports

By Pallavi Gogoi
The Associated Press

NEW YORK — The stock market got a big jump on a better year.

Stocks rose sharply Tuesday in the first trading of 2012 after investors returned from the holiday and found encouraging economic reports from the U.S. and around the world.

The Dow Jones industrial average rose 179.82 points, or 1.4 percent, to 12,397.38, its highest close in more than five months.

The Standard & Poor's 500 index, a broader gauge of the overall market than the Dow, finished up almost 20 points at 1,277. The S&P finished 2011 almost exactly where it started — down a sliver, 0.04 of a point.

The market may have gotten an extra boost from what's known as the January effect: Investors sell stocks at the end of the year to lock in losses for tax purposes, then come back in January and buy stocks again.



Peter Tuchman works the New York Stock Exchange floor from a handheld computer Tuesday. BEBETO MATTHEWS/AP

The effect could be more pronounced this year because the stock market was so volatile in 2011 and more investors were forced to take losses, said Sam Stovall, chief equity strategist at Standard & Poor's Capital IQ.

January is a fairly good predictor of the year to come for U.S. stocks. Only seven times since 1950 has January turned out to be a "major error" in predicting the year to come, according to the Stock Trader's Almanac.

In other words, whichever direction the market has gone in January, the rest of the year has usually followed.

The "major errors" are usually extraordinary events, the almanac points out. In 2001, for example, the S&P 500 rose 3.5 percent in January, but the market was rocked by the Sept. 11 attacks and finished the year down 13 percent.