Deal news, jobless claims push stocks higher

BY KEN SWEET
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NEW YORK — Another quiet day, another quiet record.

Stocks rose modestly Thursday, sending the Standard & Poor's 500 index to another record high. Investors rallied behind a bidding war in the food industry as well as a somewhat positive report on the U.S. labor market.

The S&P 500 rose 10.25 points, or 0.5 percent, to 1,920.03, closing above Tuesday's record of 1,911.11. The Dow Jones industrial average rose 65.56 points, or 0.4 percent, to 16,698.74 and the Nasdaq composite rose 22.87 points, or 0.5 percent, to 4,247.95.

Among the biggest gainers was deli meat and hotdog maker Hillshire Brands, which jumped $7.95, or 18 percent, to $52.76. Only two days after Pilgrim's Pride made a $5.56 billion offer to buy the company, chicken company Tyson Foods stepped in to offer $6.2 billion.

Investors expect that Tyson's offer will start a bidding war. Hillshire's closing price of $52.76 was already above Tyson's offer of $50 per share. The stock is up 43 percent this week alone.

Tyson also rose on the news. The stock gained $2.50, or 6 percent, to $43.25, making the company the biggest gainer in the S&P 500.

The overall stock market has moved little this year, but one theme that continues to play out is the large amount of corporate deals being announced. Just during this holiday-shortened week, Apple said late Wednesday it would buy Beats Electronics for $3 billion, and now there's the battle over Hillshire Brands.

"It's an encouraging sign because companies see the economy improving," said Joe Tanious, a global markets strategist with J.P. Morgan Asset Management. "Last thing you want to do as a large company is use your cash to buy a company when you have an uncertain outlook on the economy."

Other food companies also rose following the Hillshire Brands news as traders anticipated more deals and possibly more bidding wars. Jam and jelly maker J.M. Smucker rose $2.38, or 2.4 percent, to $103. Hormel Foods, which makes Spam, rose $1, or 2 percent, to $48.71.

Investors also had a round of mixed economic data to interpret Thursday.

The Commerce Department estimated that the U.S. economy shrank at an annual rate of 1 percent in the first three months of the year, worse than the government's initial estimate a month ago of growth of 0.1 percent. The contraction was partly due to the severe weather in January and February, economists said.

While disappointing, investors set aside the GDP report, dismissing it as outdated information on the U.S. economy. The report relayed information from, at best, two months ago and, at worst, from the beginning of the year. Investors have been talking about how the weather impacted U.S. businesses earlier this year for months now.

"It didn't tell us anything new," said Ryan Larson, head of equity trading at RBC Global Asset Management.

In a more "real-time" reading on the U.S. economy, the government also said the number of Americans applying for unemployment benefits dropped last week to 300,000, according to the Labor Department. The less-volatile four-week average fell to 311,500, the lowest since August 2007, right before the last recession.

Bond prices pulled back slightly, pushing the 10-year U.S. Treasury note to a yield of 2.46 percent from 2.44 percent the day before.

Yields have been trading at lows not seen in a year as foreign buyers have jumped into U.S. Treasurys. Most investors believe this recent downward movement in bond yields is temporary.

The Federal Reserve, the biggest buyer of Treasurys for the last few years, is slowly exiting the market and the economy is improving.

"The 10-year Treasury has everyone scratching their heads," Tanious said.

The stock market continues to hit highs, but volume remains light after the Memorial Day holiday. Roughly 2.69 billion shares changed hands on the New York Stock Exchange, well below its 50-day average of 3.29 billion shares.

Traders expect business to be slow until next week, when investors get the May jobs report and the European Central Bank will announce is latest interest rate decision.

"We may be moving higher, but the market is really in wait-and-see mode," Larson said.

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Global markets strategist