Debt auction fuels rally on Wall Street

By Tim Paradis
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NEW YORK — Interest rate movements called the shots on Wall Street for the second straight day.

The bond market recovered Thursday, bringing stocks along with it, a day after panicky selling pushed long-term borrowing rates to their highest level in six months.

Stock indicators rose more than 1 percent, including the Dow Jones industrial average, which gained almost 104 points.

The yield on the 10-year Treasury note, a widely used benchmark for mortgages and other kinds of loans, moved decisively lower to 3.62 percent from 3.75 percent the day before as investors were relieved to see ample demand at an auction for Treasury debt.

The note's yield had surged the day before, triggering a selloff in stocks, on concerns that a flood of U.S. government debt coming to market would overwhelm demand.

Stock trading could remain jumpy going forward as investors look closely at interest rates as well as economic data for confirmation that the market's aggressive bet this spring on an economic recovery is still sound. The Standard & Poor's 500 index is still up 34 percent from a 12-year low in early March.

"The market is absolutely being held hostage to the data," said David Joy, chief market strategist at RiverSource Investments.