BUSINESS

Dow has biggest day of year

Surge in stocks propelled by new hope for Europe debt crisis and help for US economy

By Matthew Craft
The Associated Press

NEW YORK — Hope that European leaders will take steps to ease the region's debt crisis sent stocks surging to their best day this year Wednesday.

Speculation that the Federal Reserve could make another move to help the flagging U.S. economy also drove traders out of bonds and into stocks Wednesday after weeks of losses.

News reports said Germany and European Union officials were considering a plan to lend money from the European bailout fund to help rescue Spain's hobbled banks.

Jeff Kleintop, chief market strategist at LPL Financial, said the market appeared to be turning on rumors. But the all the talk was enough to convince some traders that the worst was over for now.

As of Monday, worries about Greece and Spain had pulled the Standard & Poor's 500 index down nearly 10 percent from its peak in early April. "The next 10 percent move is not down, it's up," Kleintop said.

The rally started early and gathered force in the afternoon. The charge turned the Dow Jones industrial average positive for 2012 and erased the biggest loss of the year less than a week after it happened: the 275-point plunge set off by a dismal U.S. jobs report on Friday.

The Dow Jones industrial average surged 286.84 points Wednesday to close at 12,414.79, its biggest gain since Dec. 20.

The Standard & Poor's 500 rose 29.63 points to 1,315.13. The Nasdaq composite rose 66.61 points to 2,844.72.

A speech by a Federal Reserve official also added to speculation that the Fed may take more steps to bolster the U.S. economic recovery.

Dennis Lockhart, president of the Fed's Atlanta regional bank, says weak job growth over the past two months highlighted the "halting and tenuous" recovery.

If the trend continues, "further monetary actions to support the recovery will certainly need to be considered," he said.

Federal Reserve Chairman Ben Bernanke will likely be asked about more actions to help the economy when he testifies before a congressional committee today.