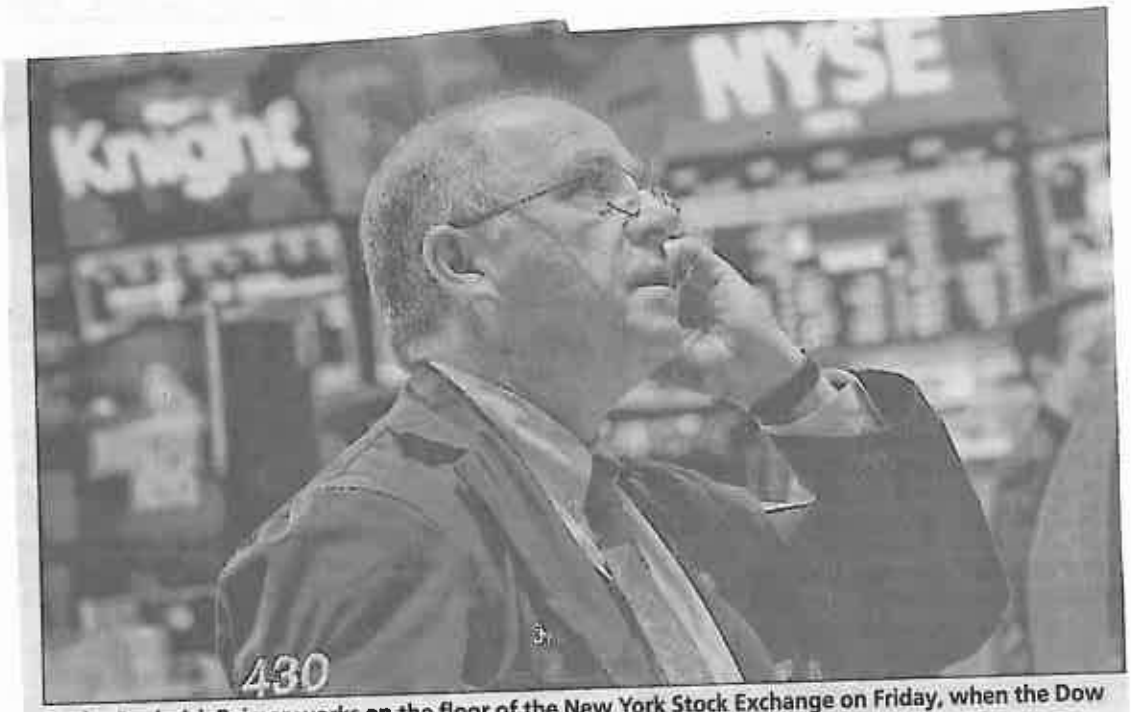


Trader Frederick Reimer works on the floor of the New York Stock Exchange on Friday, when the Dow Jones industrial average moved above 14,000 for the first time since October 2007. RICHARD DREW/AP

Dow revisits 14,000

Is this a sign of the top or a new leg up?

By Adam Shell
USA Today

NEW YORK — When it comes to big, round numbers with major investment significance, 14,000 is as big as it gets for the Dow Jones industrial average.

Indeed, Dow 14,000 is back in play and in the headlines after the iconic 117-year-old blue chip index topped that lofty milestone Friday for the first time since October 2007.

The move pushed the world's best-known stock gauge up 149.21 points to close at 14,009.79 for its best level since the 2008 financial crisis. The benchmark index is not far from its Oct. 9, 2007, all-time high of 14,164.53, prompting talk of a new peak, maybe 15,000.

The Dow is now up 6.9 percent in 2013 and has rallied 114 percent since the bear market low in March 2009.

The Dow's heady rush to levels not seen in more than five years — and potentially to heights it has never seen before — has elicited feelings of renewed hope and cautious optimism on Wall Street.

The rise reflects a growing belief that economies in the U.S. and around the world are in a better place and on the road to recovery. Any signs of a sustainable economic recovery will also prove bullish for corporate profitability at a time when U.S. companies in the Standard & Poor's 500 stock index are already on track to post record earnings per share of $103.40 in 2012.

"This is just the beginning," said Jeremy Siegel, a finance professor at the Wharton School of Business at the University of Pennsylvania. He said he sees the Dow hitting 15,000 or going even higher by the end of the year. "I think this is going to be a 20 percent-plus year for stocks."

Siegel said with cash yielding 0 percent and 10-year U.S. Treasury notes paying roughly 2 percent in interest, investors have little alternative but to buy stocks in search of bigger gains.

"Where else are they going to go for returns?" Siegel said.

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MOOD INDICATOR

The Dow's long reputation for reflecting the national mood and acting as a leading economic indicator also bodes well, said Jamie Farmer, managing director at S&P Dow Jones Indices.

» "The Dow provides historical touchstones," Farmer said. "When Americans hear the number of points the Dow is up or down, their minds immediately translate that. The 14,000 number has a reference quality to it and has enormous value in itself."

DOW

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'Rarefied territory'

Main Street investors now have $2.4 trillion parked in money market funds, $6.7 trillion in bank savings accounts and $633 billion in low-yielding certificates of deposit, said Peter Crane, publisher of Money Fund Intelligence, citing Federal Reserve data.

The lingering skepticism on the part of some investors comes from the knowledge that Dow 14,000 is an area where the stock market topped out in 2007 and a level that has acted more like a ceiling for stock prices than a floor.

In fact, the Dow only closed above 14,000 on nine trading days in 2007, including its first-ever close above that psychologically important number on July 19, 2007.

It is not an overstatement to say that Dow 14,000 is the biggest round number the Dow has ever had to hurdle in its long history.

"Rarified territory is a good way to describe it," said Jamie Farmer, managing director at S&P Dow Jones Indices.

Tough to sustain

And the thinner the air, the tougher the slog.

"We are back to levels where the market has had trouble sustaining highs in the past," said Richard Moroney, editor of the Dow Theory Forecasts newsletter.

Though the Dow has a good shot at hitting a new high in 2013, it's more likely that it will stop going straight up soon and settle into a range that will keep it trading at or near the 14,000 level for most of the year, cautioned Jeff Kleintop, chief market strategist at LPL Financial.

He noted that the blue-chip gauge got off to a rip-roaring start last year and quickly climbed to 13,000 before stalling and not breaking out for good until December.

"Whenever we get to these big milestones," Kleintop said, "it seems to take the market a better part of a year to digest those gains."