Investors get reason to cheer



RICHARD DREW / The Associated Press

Paul Cosentino, on the floor of the New York Stock Exchange, monitors reports of the Federal Reserve's moves Wednesday.

Dow sets new 2010 high on Fed stimulus

Plan details reduce uncertainty

By David K. Randall and Stephen Bernard
THE ASSOCIATED PRESS

NEW YORK — The Dow Jones industrial average reached a new high for the year after the Federal Reserve announced that it plans to buy $600 billion in Treasurys to stimulate the economy. The aim is to drive interest rates lower in an effort to spark spending and lending.

The Dow Jones industrial average gained 26.41, or 0.2 percent, to 11,215.13, its highest close in two years. Its previous high for 2010 of 11,205 was reached on April 26. The Dow had traded above that level four other times in the past two weeks.

Broader indexes also rose. The Standard and Poor's 500 Index rose 4.39, or 0.4 percent, to 1,197.96, while the Nasdaq composite gained 6.75, or 0.3 percent, to 2,540.27.

The central bank had hinted for two months that it planned to buy bonds in an effort to boost the economy. The Fed made firmer commitments to buy bonds under the new program than many investors had been expecting, which helped push stock indexes and most Treasury prices higher.

Instead of reassessing its bond purchases every month given economic conditions, the Fed pledged to buy $75 billion of Treasurys each month through the middle of next year.

The Fed's announcement was unusually direct, clearing the way for many investors to step back into the market.

"The Fed's move takes a lot of uncertainty out of the air," said Anthony Chan, the chief economist for JP Morgan Chase's private wealth management division. "This puts a floor on the economy's performance and gives them the opportunity to do more if the economy needs it."

Key economic reports that would have normally affected trading were overshadowed by the Fed's meeting.

Payroll company ADP said private employers added 43,000 jobs last month after cutting jobs in September, which usually would have driven buying in the market. The report is seen as a gauge heading into the government's monthly employment report, which is due out Friday.

The Institute for Supply Management said growth in the service sector accelerated last month when economists were expecting a slowdown in the pace of expansion.