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Dow soars over 300 points on plan to aid banks

Program to remove some $1 trillion in bad assets from their books

Associated Press
updated 57 minutes ago

NEW YORK - Wall Street is getting the good news it wants on the economy's biggest problems: banks and housing.

Investors reignited a two-week rally Monday, cheering the government's plan to help banks remove bad assets from their books as well as a report showing a surprising increase in home sales. Major stock indicators jumped more than 4 percent including the Dow Jones industrial average, which surged 300 points.

The Treasury Department said its plan would rely on the government's $700 billion financial rescue fund, the Federal Reserve and the Federal Deposit Insurance Corp., as well as private investors.

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The housing report was overwhelmingly positive for the markets even though it showed a decline in home prices. Investors are embracing any sign that a glut in homes for sale may be easing.

The market got another dose of good news last week on the troubled industry as housing starts for February came in much better than expected.

Collapsing home prices and the damage they have caused banks are at the center of the economy's current problems and are a major focus for the stock market. Banks have sharply curbed lending after becoming weighed down with loans that have gone bad, especially mortgages.

Investors had been largely disappointed in the government's efforts to

Market update

Index	Last	Change	% change
DJIA	7561.29	+282.91	+3.89%
NASDAQ	1509.88	+52.61	+3.61%
S&P 500	798.49	+29.95	+3.90%

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Economy in Turmoil

Administration launches plan to help banks



UPDATED The Obama administration launched a new effort Monday to end a paralysis in lending, saying it will team with investors to sop up a half-trillion dollars of bad assets from banks.

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date to restore the banks to health, but finally seemed encouraged by the long-awaited announcement Monday of details for the government's bad loan cleanup plan.

"The actions that we're getting from a policy standpoint are very helpful in removing the sand from the gears," said Alan Gayle, senior investment strategist at RidgeWorth Investments. "That is going to be good for the financials."

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The plan seeks to draw in private investors, including big hedge funds, to participate by offering billions of dollars in low-interest loans to finance the purchases. The government will share the risks if the assets fall further in price.

Shares of the country's largest banks, which have been beaten down in recent weeks over concerns about their ability to weather the crisis, soared on Monday. Citigroup Inc. jumped 17 percent, and Bank of America Corp. added 15 percent.

Even banks regarded as more sound posted big advances. JPMorgan Chase & Co. rose 12 percent, while Wells Fargo & Co. rose 12 percent.

In midday trading, the Dow rose 313.57, or 4.3 percent, to 7,591.95.

Broader stock indicators also surged. The Standard & Poor's 500 index rose 34.20, or 4.5 percent, to 802.74, and the Nasdaq composite index rose 60.67, or 4.2 percent, to 1,517.94.

The Russell 2000 index of smaller companies rose 20.30, or 5.1 percent, to 420.41.

About 10 stocks rose for every one that fell on the New York Stock Exchange, where volume came to 579.2 million shares.

Monday's advance is bolstering an upbeat mood on Wall Street which has taken hold in the past two weeks. The Dow is coming off its first back-to-back weekly gains in close to a year.

Stocks began rising sharply on March 10 after Citi and BofA told investors they had made money in the first two months of the year. Better-than-expected reports on retail sales and home building also lifted the market.

Bond prices rose following the Federal Reserve's announcement last week that it would buy government debt to help drive down borrowing costs by reducing interest rates.

The yield on the benchmark 10-year Treasury note, which moves opposite its price, fell to 2.63 percent from 2.64 percent late Friday. The yield on the three-month T-bill rose to 0.21 percent from 0.19 percent Friday.

Oil rose $1.28 to $53.35 a barrel and the dollar was mixed against other major currencies. Gold prices fell.

Homebuilders extended an early rise after the home sales report. KBR Inc. rose 39 cents, or 2.8 percent, to $14.22, while Toll Brothers Inc. rose 94 cents, or 5.5 percent, to $17.93. Hovnanian Enterprises Inc. jumped 28 cents, or 24 percent, to $1.46.

In corporate news, Daimler rose following the announcement that Abu Dhabi-based Aabar Investments PJSC would buy a stake in the automaker best known for its Mercedes-Benz brand. Daimler rose 93 cents, or 3.3 percent, to $29.38.

Investors snapped up some stocks after quarterly results came in ahead of Wall Street's low expectations.

Drugstore chain Walgreen Co. says its earnings fell 7 percent in the fiscal second quarter because of costs for its restructuring plan even as

retail prescriptions grew, bucking an industry trend. Walgreen rose $2.61, or 11 percent, to $26.90.

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Jewelry retailer Tiffany & Co. said its fourth-quarter profit plunged more than 75 percent after a steep drop in sales over the holiday season. Tiffany rose $3.07, or 15 percent, to $23.30.

Overseas, Britain's FTSE 100 rose 2 percent in afternoon trading. Germany's DAX index rose 2 percent, and France's CAC-40 rose 2.6 percent. Japan's Nikkei stock average rose 3.4 percent.

TOP 10 **Market movers**

NYSE	NASDAQ	AMEX
• Most Active	• Most Active	• Most Active
• Top % Gainers	• Top % Gainers	• Top % Gainers
• Top % Decliners	• Top % Decliners	• Top % Decliners

Name	Volume	Price	Change	% Change
Citigroup Inc	568,277,768	3.04	+0.42	+16.03%
Bank of America Corp	335,274,345	7.22	+1.03	+16.64%
SPDRs	224,263,556	79.76	+3.05	+3.98%
Direxion Financial Bull 3X Shares	179,102,219	6.19	+1.18	+23.60%
Financial Select Sector SPDR	175,416,402	8.9382	+0.80	+9.81%
American International Group Inc	171,018,186	1.42	+0.16	+12.70%
Ultra Financials ProShares	119,024,793	2.7	+0.35	+14.89%
General Electric Co	123,040,103	10	+0.46	+4.82%

Source: MSN Money and ComStock

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