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Good hiring news boosts stocks

But we've still got a long way to go, Fed chief Bernanke says

By Matt Krantz
USA TODAY

A hint of good news on one of the biggest question marks hanging over the economy — jobs — added to Wall Street's growing confidence Wednesday that the recovery is firmly on track.

The Dow Jones industrial average notched its third-consecutive close above 11,000, rising 104 points to 11,123 as stocks climbed further into territory last seen before the financial crisis.

Wednesday's rally came despite Federal Reserve Chairman Ben Bernanke saying the recovery remains moderate. Economic reports were mixed.

The initial spark for the advance came as JPMorgan Chase and Intel reported earnings that topped expectations as Wall Street heads into the thick of the first-quarter earnings season.

The earnings themselves were enough to fan optimism. JPMorgan's profit rose 57% to $3.3 billion, and Intel's rose 288% to $2.4 billion. The two industry bellwethers said they are going to add jobs: 9,000 at JPMorgan and 1,000 at Intel. Granted, those numbers are small in the context of the millions of Americans out of work. Nonetheless, even a whiff of good employment news was enough to boost Wall Street's increasingly optimistic mood. "The one thing that's been missing are the jobs," says Jim Paulsen of Wells Capital management.

One of the biggest concerns has been when companies would finally hire workers instead of stockpiling cash and cutting costs, says Bill Stone of PNC Wealth Management. So, though job creation has been slow, the fact employment is stabilizing is enough early evidence for investors, he says.

Plenty of skeptics remain, noting that unemployment remains stubbornly high at about 10% and broader problems persist. Companies are simply making up for the fact they "overfired" employees, says Oliver Wiener of BTIG.

In congressional testimony, Bernanke said, "We have seen some encouraging signs that layoffs are slowing and that employment has turned up." He added that "if the pace of recovery is moderate, as I expect, a significant amount of time will be required to restore the 8.5 million jobs that were lost during the past two years."

In a sign that any substantial turn in the job market could be slow in coming, Southwest Airlines said Wednesday that it plans to reduce its workforce by not hiring in 2010.

That's why investors need more than anecdotal signs of hiring at some companies.