BUSINESS

Growth keeps stocks climbing

Positive news out of China, global bank reform

By Stephen Bernard
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NEW YORK — Investors looking for reassurances about the health of the global economy received just that Monday.

Stocks extended their rally into a third week after global regulators agreed to new rules for how much money banks must hold in reserves, China reported its economy remains robust and companies announced a flurry of new takeovers.

"The package of catalysts is a perfect backdrop for a market trying to confirm global economic growth," said Quincy Krosby, a market strategist at Prudential Financial. Dealmaking and the expansion in China further reduced worries about the economy falling back into recession, Krosby said.

The Dow Jones industrial average rose 81 points for its eighth gain in the past nine days. The Dow did close off its high after some traders pulled money out of retail stocks ahead of the government's monthly retail sales report due out Tuesday.

But overall sentiment remained positive, pushing indexes to their highest closes in more than a month and the Standard & Poor's 500 and Nasdaq composite indexes back into positive territory for the year.

Global regulators agreed to reforms that could help avoid another credit crisis like the one that plagued financial markets worldwide in 2008 and early 2009. Banks will gradually have to increase their reserves to protect against potential losses.

"The agreement itself was a little lighter than expected," said Mitch Schlesinger, managing director at FBB Capital. Because reserve requirements will be rolled out slowly and not be quite as strong as expected, it reduces short-term worries that banks would have to further cut back on lending and raise cash quickly to meet new standards, Schlesinger said.

The new regulations have added to confidence in Europe's banks, which have been slower than their U.S. counterparts to bolster reserves. European markets rose sharply Monday.

Investors entered trading in the U.S. Monday already heartened by the latest signs of growth out of China. The country reported industrial production accelerated again in August when many had predicted slower growth. Strong expansion in China is considered vital to a global recovery because if demand remains high there, it will offset sluggish growth in the U.S. where economic expansion is not as strong.

Andrew Neale, a portfolio manager at Fogel Neale Partners said acquisition activity is "crucial for investors" because when companies are confident and investing money, it adds to investor confidence.



DAVID KARP / The Associated Press

Traders and specialists work the trading floor of the New York Stock Exchange, in New York.