BUSINESS

Home sales help stocks rebound

Energy companies also help turnaround

By Stephen Bernard and Tim Paradis
THE ASSOCIATED PRESS

NEW YORK — The stock market rebounded Wednesday after a stronger-than-expected increase in pending home sales restored investors' optimism about the economy.

The Dow Jones industrial average rose about 226 points, its third biggest gain of 2010. Major indexes recovered the losses they suffered Tuesday shortly before the close, when the government announced criminal and civil investigations into the Gulf oil spill.

Treasury prices fell, pushing up interest rates, after demand for riskier investments like stocks increased.

The report on home sales provided hope on the nation's housing market. An increase in signed contracts for homes was due partly to a rush to meet a tax credit that expired in April. The National Association of Realtors said its index of signed contracts for existing homes rose 6 percent. The increase was ahead of the estimates of economists polled by Thomson Reuters.

Beyond the housing numbers, stocks got a boost from a rebound in energy companies. The slide in energy stocks had pulled the market lower Tuesday. Schlumberger, which provides services to oil companies, rose more than 8.8 percent, while Baker Hughes climbed about 10.5 percent.

Stocks have been pounded in the last month by concerns that spending cuts in Europe would hobble a recovery in the global economy. The Dow fell 7.9 percent last month for its worst May since 1940. The market has been logging big swings because traders are trying to determine how deep the retreat in stocks will be. Analysts say the fractiousness isn't likely to disappear anytime soon.



RICHARD DREW / The Associated Press

Trader David McHugh works from the floor of the New York Stock Exchange in New York.