Investors rush back into stocks

By Sara Lepro and Tim Paradis
The Associated Press

NEW YORK — Stocks logged their best day in three months as investors rushed into the market on word the economy grew faster than expected.

The Dow Jones industrial average jumped 200 points Thursday to recoup most of its losses for the week, while demand for safe-haven holdings like Treasurys wilted.

The Commerce Department's report that gross domestic product rose at an annual rate of 3.5 percent in the third quarter reinvigorated investors who had dumped stocks for much of the past week on signs of a weakness in the housing market and a disappointing report on consumer confidence.

The economic growth came in ahead of the 3.3 percent rise forecast by economists polled by Thomson Reuters. It was the strongest growth in two years and broke four straight quarters of declines. Coming on the 80th anniversary of the stock market crash that triggered the Great Depression, it was the best indication yet that the longest recession since then has ended.

Many analysts caution that it will be hard to sustain the growth at the pace seen in the third quarter.

Government stimulus programs including the popular Cash for Clunkers auto rebates and tax credits for first-time home buyers bolstered the economy. Once the government's stimulus measures run their course, the economy could run afoul of lingering problems such as high unemployment and weak consumer spending.

"I don't think that at this point in the rebound that the economy would be self-sustainable," said Jason D. Pride, director of research at Haverford Investments in Philadelphia. "The only way to have effective sustained economic growth is to have job growth, but it tends to come later."

Analysts say the economic recovery is likely to be bumpy as consumers try to pay down debt and credit for small businesses remains tight.

But such concerns were pushed aside on Thursday.

According to preliminary calculations, the Dow Jones industrial average rose 199.89, or 2.1 percent, to 9,962.58. It was the best day for the Dow since July 15.