BUSINESS

Optimism fuels stock surge

Market posts first big win in a week

By Tim Paradis
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NEW YORK — Consumers are getting more confident about the economy, and Wall Street is tagging along.

Stocks surged Tuesday, posting their first big win in a week after a research group said consumer sentiment rose in May to the highest level since September. Major stock indicators jumped more than 2 percent, including the Dow Jones industrial average, which added 196 points.

The day's gains nudged the Standard & Poor's 500 index back into the plus column for the year and leaves the Nasdaq composite index up 11 percent in 2009. The Dow is still down 3.5 percent.

Investors started buying enthusiastically after the Conference Board's Consumer Confidence Index vaulted to 54.9 from 40.8, soaring past the 42.3 that economists surveyed by Thomson Reuters forecast.

Wall Street has been watching the index for signs of whether consumers might start shopping more or buy big-ticket items like cars and homes. Spending by consumers makes up more than two-thirds of U.S. economic activity, making their confidence critical for the nation to pull out of recession.

"The consumer confidence figure is one that no one really pinned a lot of hopes on as going higher," said Jim King, chief investment officer at National Penn Investors Trust Co. With unemployment still high and expected to go higher, many market watchers thought the mood on Main Street would remain gloomy.

Traders saw green on their screens on the first day back from a long weekend but the compressed week could still trip up the market. Data are due on home sales as well as the economy's overall output in the first three months of the year.

The Dow rose 196.17, or 2.4 percent, to 8,473.49. The S&P 500 index rose 23.33, or 2.6 percent, to 910.33, and the Nasdaq rose 58.42, or 3.5 percent, to 1,750.43.

Analysts said the day's gains reveal how jumpy the market still is and warned that it could show a similar quick reaction to bad news.