Positive signs please

Despite continuing caution, bits of good economic news lift market

By Sara Lepro
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NEW YORK — More signs that the economy is creeping toward recovery encouraged investors to move further into stocks — but at a cautious pace.

Stocks rose moderately Thursday in very light volume. There were no dramatic economic reports, but a smattering of positive data convinced investors to take more chances on stocks. Financials were particularly in demand after a report quoting American International Group Inc.'s CEO as saying the company will repay its bailout loans from the government.

News from the Philadelphia Federal Reserve of a pickup in mid-Atlantic manufacturing also lifted the market, having offset a weaker-than-expected Labor Department report on first-time claims for unemployment.

"I think the headline news just gave more comfort to those who have been and remain of the view that the recession is not only ending but that we are on the cusp of a V-shaped recovery," said David Rosenberg, chief economist and strategist at Gluskin Sheff & Associates.

Stock prices drifted higher through the afternoon. The market seemed to be shaking off some of the fears that had triggered selling in what has been a back-and-forth week, including sharp losses in Chinese shares and concerns about consumer spending.

The Dow Jones industrials rose 70.89, or 0.8 percent, to 9,350.05. The Standard & Poor's 500 index rose 10.91, or 1.1 percent, to 1,007.37, while the Nasdaq composite index gained 19.98, or 1.0 percent, to 1,989.22.

But there were still signs of caution. The low volume, typical for an August day, meant investors weren't piling into the market. It also meant that price movements could be exaggerated.

Consolidated volume on the New York Stock Exchange came to 5 billion shares, up from 4.35 billion on Wednesday. Rising stocks outpaced falling stocks by about 3 to 1 on the NYSE.

Treasury prices closed mixed, having regained some ground from earlier losses, another sign that investors are being careful. Government debt is considered one of the safest places to stash money. The yield on the benchmark 10-year note fell to 3.43 percent from 3.46 percent late Wednesday.

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investors

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In other trading, the Russell 2000 index of smaller companies rose 7.03, or 1.3 percent, to 568.68.

The dollar was mixed against other major currencies, while gold prices fell.

Crude for October delivery gave up 92 cents to settle at $72.91 on the New York Mercantile Exchange. The September contract, which ends Thursday, advanced 12 cents to settle at $72.54.

Investors were encouraged by the Philadelphia Fed's news that factory activity in the mid-Atlantic region jumped back into positive territory in August, reaching its highest level since November 2007, before the recession began.

Meanwhile, the Conference Board's economic forecasting gauge, the Index of Leading Economic Indicators, rose for the fourth straight month during July, suggesting that the recession will end this summer, if it hasn't already.

The two reports helped counter news from the Labor Department that new claims for unemployment benefits rose unexpectedly to 576,000 last week. Economists had predicted a decline.