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S&P 500 surges on housing starts, jobless claims



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In this Jan. 10 file photo, Jeffrey Vazquez, right, works with fellow traders on the floor of the New York Stock Exchange. Stock futures jumped Thursday, as the government reported that weekly applications for unemployment benefits hit a five-year low and the construction of new homes surged.

BY STEVE ROTHWELL
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NEW YORK — The Standard and Poor's 500 index climbed to another five-year high after strong reports on housing starts and unemployment claims made investors more optimistic about the U.S. economy.

The S&P 500 gained 8.31 points to close at 1,480.94, its highest level since December 2007. The Dow Jones industrial average also rose, climbing to a five-year high during the day, before falling back to finish 84.79 points higher at 13,596.02. The Nasdaq composite climbed 18.46 points to 3,136.

U.S. builders started work on homes in December at the fastest pace since the summer of 2008, the Commerce Department said Thursday. Homebuilder stocks rose broadly following the report. The S&P 500's homebuilding index climbed 3.8 percent, its biggest gain in almost a month. PulteGroup led the advance with a jump of $1.03, or 5.3 percent, to $20.37.

The number of Americans seeking unemployment benefits fell to a five-year low last week, the Labor Department reported, the latest sign that the job market is healing. Weekly unemployment benefit applications fell 37,000 to 335,000, a bigger decline than economists had forecast, according to financial data provider FactSet.

The reports helped offset disappointment over the fourth-quarter earnings reports of two of the nation's biggest banks, Citigroup and Bank of America, said JJ Kinahan, chief derivatives strategist at TD Ameritrade.

"The financial stocks are having a tough time impressing the Street with anything," Kinahan said. "The traditional banks are getting squeezed on margins and the expectations for a lot of those companies had already been set low."

Citigroup fell $1.24, or 2.9 percent, to $41.24 after its income fell well short of Wall Street's expectations. The bank's legal expenses rose and it released less money from its loan-loss reserves.

Bank of America dropped 50 cents, or 4.2 percent, to $11.28 after its earnings declined. The bank is continuing to work on clearing up old problems at its mortgage unit. The bank made $367 million in the last three months of 2012 after paying preferred dividends, down sharply from $1.6 billion in the same period a year ago.