MONEY

S&P 500 breaks 1900 barrier

Benchmark hailed for its remarkable resilience

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The Standard & Poor's 500 index topped a fresh milestone Friday, closing above the 1900 level for the first time and highlighting the market's resilience and its fragility as the aging bull moves deeper into its fifth year.

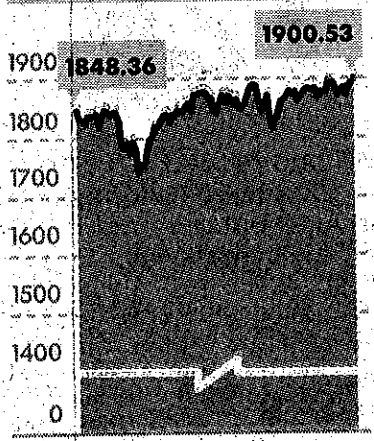
Coming off its best year since 1997, the stock market has endured a great deal this year, as one-time highfliers in a small segment of the market suffered big declines — renewing fears that the selling would spread.

But the S&P 500 has been able to shrug off the steep losses in small stocks and once-popular biotech and Internet names, regaining its upward trajectory.

On Friday, the benchmark rose 8.04 points, or 0.4%, to 1900.53. It also took out its prior closing high of 1897.45 from May 13. It is up 2.8% this year. And for the first time this year, the S&P, Dow Jones industrial average and Nasdaq all closed with a 2014 gain.

RECORD HIGH

The S&P 500 index closed above 1900 Friday for the first time.



Source Bloomberg
FRANK POMPA, USA TODAY

Gary Kaltbaum, president of Kaltbaum Capital Management, lauds the market's ability to avoid being dragged down by the stocks that got overly expensive and over-owned. "The most important part of the equation is the resilience," he says.

The market has overcome a nasty winter that hurt the economy, geopolitical fears abroad and the Federal Reserve's dialing back on its asset purchases.

Kaltbaum advises investors not to get overly bullish. "It is just a round number," he says. "I wouldn't get too crazy over 1900."

The move to new highs suggests the uptrend remains intact, largely because interest rates remain low, says David Kotok, chief investment officer at Cumberland Advisors. "It will continue to have it as long as the Fed holds interest rate near 0%," he says. "A slow recovery in the economy means the Fed keeps rate near zero all of this year and some or all of 2015." And that means the market rises higher. "Maybe, much higher," he says.

Quincy Krosby, market strategist at Prudential Financial, offers a more cautious view. "Volume is light ... and light volume can skew market performance," says Krosby. "Unless the data floods the market with undeniably strong numbers, the most likely scenario is a sideways market."

Numbers like 1900 are often tough to barrel through easily. "It is the big round number phenomenon, but if history is any guide, the market will keep testing (it)," says Krosby. "What you need is a number of sessions with strong volume and a broadening of participation to feel secure that the level will hold."

Don Luskin, chief investment officer at TrendMacro, says the recent market weakness is history. "Round numbers are meaningless, but it's meaningful to make all-time highs," he says. "The winter correction is over. Spring has sprung. It's going to be a very good year."