Stock gains stall after big ascent

Despite continued good news, traders remain cautious about future

By Tim Paradis
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NEW YORK — The stock market's rally is on hold and it's not clear what might get it moving again.

Stock indicators barely budged this week after big gains in the prior week. The Dow Jones industrial average did manage to push into the black for the year with a modest gain on Friday but many traders are still cautious.

The Dow Jones industrial average rose 28.34, or 0.3 percent, to 8,799.26. It was the Dow's highest close since Jan. 6.

The broader S&P 500 index rose 1.32, or 0.1 percent, to 946.21, and the Nasdaq composite index fell 3.57, or 0.2 percent, to 1,858.80.

The continuing crop of better-than-expected economic news has lost its ability to incite the kinds of big gains the market was enjoying back in March, early in a three-month rally that has brought the Standard & Poor's index almost 40 percent.

Those kinds of gains might normally take years to occur, so it's understandable that traders would become tired of hitting the "buy" button. Also, the market's enthusiasm about the economy has been checked recently by unease about inflation and rising interest rates.

The bond market exercised unusual control over stocks this week as investors worried that the Treasury Department was running low on buyers for U.S. debt. While a successful bond auction Thursday eased some of those concerns, investors are still nervous that Washington might have to entice buyers with higher interest rates.

Besides determining the government's own borrowing costs, bond yields are also used as a benchmark for consumer loans and can influence how much people borrow to finance big purchases like homes. The 10-year Treasury note, which is closely tied to home mortgage rates, has risen to 3.79 from 3.71 percent in little more than a week.

Rising interest rates are worrisome because they could stomp out the economy's attempts to recover from the recession, which began in December 2007.

With little to point them in either direction, stocks zigzagged in a tight range late in the day Friday as commodity and technology stocks gave up some of their recent gains.

"We ran at sprinters' speed and now we're taking a couple jogs around the track to see if we can sprint again," said David Darst, chief investment strategist at Morgan Stanley Smith Barney.

Bond prices mostly rose Friday, pushing yields down. The yield on the 10-year Treasury note fell to 3.79 percent from 3.86 percent late Thursday.

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

Rick Bensignor, chief market strategist at Execution LLC, said the market likely would need big news

See STOCKS on page 2B