Stock gains watched for signs of recovery

Market's first two-week rise in nearly a year raises hopes bottom reached

STAFF, WIRE REPORTS

NEW YORK — Wall Street closed out its first two-week gain in almost a year Friday — barely.

After a mixed start, stocks veered lower in the afternoon as financial stocks fell and investors collected profits from the advance that saw the Dow rise 14 percent over seven trading days. One reason for the market's pause: It simply ran out of upbeat economic and corporate news the past two days.

The major indexes did eke out a gain for the week, jolted by the Fed's plans to buy hundreds of billions of dollars worth of debt securities in hopes of reviving lending. Stocks initially jumped on Wednesday when the plans were announced but then fell Thursday and Friday as investors became concerned that the huge injection of money into the economy could cause inflation.

Other markets had a tumultuous week as well. In just two days, the dollar fell 5 percent versus the euro and 3 percent versus the yen, and oil prices soared 7 percent Thursday above $51 a barrel to the highest level this year.

Many analysts believe stocks were due for some retrenchment.

"You get a run-up like that you're going to get a pullback," said Doreen Mogavero, president of the New York floor brokerage Mogavero, Lee & Co.

The Dow industrials fell 122.42, to 7,278.38.

Broader stock indicators also lost ground. The S&P 500 index fell 15.50, to 768.54, and the Nasdaq composite index fell 26.21, to 1,457.27.

The Russell 2000 index of smaller companies fell 13.15, to 400.11.

Declining issues outnumbered advancers by about 3 to 1 on the New York Stock Exchange. Consolidated volume came to 7.5 billion shares compared with 8.8 billion shares traded Thursday.

For the week, the Dow rose 0.8 percent, its first back-to-back weekly increase since the period ended May 2, 2008.

The S&P rose 1.6 percent, its first two-week gain since December, and the Nasdaq added 1.8 percent for the week.

The stock market began to rally off of 12-year lows beginning two weeks ago after several banks reported being profitable in the first two months of the

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year. Even after Thursday's retreat, the Dow was up 13 percent from its lows, and the Standard & Poor's 500 index was up nearly 16 percent.

The question now is whether there will be enough good news in the coming days to maintain the rally.

Michael Binger, portfolio manager at Thrivent Investment Management in Minneapolis, said the market's overall move is signaling that the economy is hitting bottom. He said it shouldn't be too difficult for stocks to resume their climb because expectations have fallen so low.

"I think the stock market is saying that fourth quarter of 2008 and first quarter of 2009 may be the trough in negative news," he said.