STOCKS DELIVER HOLIDAY HIGH

Ho! Ho! Ho! Market comes to record close

John Waggoner
USA TODAY

The stock market delivered investors a record close in time for Christmas, and economists say it's not just magical thinking on Wall Street.

The Dow Jones industrial average gained 64.73 points Tuesday, closing above 18,000 for the first time to a record of 18,024.17. The Standard and Poor's 500 landed a record gain as well – it's 51st of 2014. The Nasdaq 100 was the only Grinch in the works, falling 16 points to 4765.42.

The stock market was powered by a 5% jump in gross domestic product in the third quarter, its fastest growth pace since 2003, the Commerce Department said. Much of those gains came from improvements in consumer spending and business investment.

IN MONEY

ECONOMY SEES FASTEST GROWTH IN 11 YEARS

Wall Street took cheer from consumers' good moods. The Thomson Reuters/University of Michigan's final December reading on consumer sentiment came in at 93.6, its best since January 2007. Behind those good feelings: gasoline at an average $2.38 a gallon, down from $3.25 a year ago, and a 5.8% unemployment rate, down from 7% 12 months earlier. Short-term interest rates are near zero, and the Federal Reserve isn't likely to raise them in the first quarter of 2014.

"The U.S. still sits as a shiny city on the global economic hill," says Kevin Mahn, chief investment officer at Hennion & Walsh Asset Management in Parsippany, N.J.

Historically, the holidays have been good to investors. The last five trading days of the year and the first two of the new year – the Santa Claus rally – have produced gains in the S&P 500 in 34 out of 44 years since 1969, says PNC Financial Services. Average gain: 1.6%.

This year, the S&P 500 is up 12.8%, and the Dow has gained 8.8%. The tech-heavy Nasdaq has jumped 14.1%.

Naturally, there's always plenty to worry about for 2015: Oil prices are unstable, Russia threatens the Ukraine, and the European economy is slowing. "Investors need to be more realistic about their expectations in 2015," Mahn says.