BUSINESS

Stocks extend September rally

'Optimism' follows jobs report, other signs economy improving

By Stephen Bernard
THE ASSOCIATED PRESS

The stock market had its first winning week in a month after news on the economy started getting better.

The Dow Jones industrial average jumped 128 points Friday, its fourth straight day of gains. The strong start to September marked a turnaround from a dismal performance in August.

A better report on employment Friday was the latest piece of improving news on the economy. Stocks also gained earlier this week following signs that manufacturing was gaining in the U.S. and China.

Even after its four-day run, which added 438 points to the Dow, the index is still 6.8 percent below the 2010 high its reached on April 26. Stocks eased off their best levels in the afternoon after a report showed that the services sector didn't grow as fast as hoped in August.

The jobs reported "created a bit of optimism, but there's still a degree of caution," said Nick Kalivas, vice president of financial research for MF Global.

The Labor Department said private employers added 67,000 jobs in August, more than the 41,000 economists polled by Thomson Reuters had forecast. While the report added a small dose of optimism, it also shows that the economic recovery is still tenuous.

"We need to get that number over 100,000 to feel comfortably that we won't slip back into recession," said Bill Hampel, chief economist for the Credit Union National Association. "We need it over 150,000 to feel confident we have a nice, sustainable recovery."

Investors have received more encouraging reports on the economy over the past three days than they did throughout August,

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DAVID KARP / The Associated Press

Traders and specialists work the trading floor of the New York Stock Exchange in New York.

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when data regularly fell short of the market's already modest expectations. Reports beginning with Wednesday's manufacturing data touched off a rally at the beginning of September, which is historically a bad month for stocks.

There were other encouraging signs throughout the employment report Friday, including revisions to June and July's reports that showed the economy added more jobs than the government previously said.

More than a half-million Americans resumed their job searches in August. That drove up the unemployment rate to 9.6 percent from 9.5 percent, but it could also be a sign that more people are hopeful about the recovery.

According to preliminary calculations, the Dow closed up 127.83, or 1.2 percent, at 10,447.93.

The Standard & Poor's 500 Index rose 14.41, or 1.3 percent, to 1,104.51, while the Nasdaq composite index rose 33.74, or 1.5 percent, to 2,233.75.

Bond prices fell as sentiment on the economy improved, sending interest rates higher. The yield on the 10-year Treasury note jumped to 2.71 percent from 2.63 percent late Thursday. Its yield is often used as a gauge to set interest rates on mortgages and other consumer loans.

For the week, the Dow is up 2.9 percent.