BUSINESS

Stocks on pace for strong December

Corporate profits much better than expected in 2010, analyst says

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NEW YORK — Stocks finished higher Wednesday as the market continued on pace for its best December in nearly 20 years.

The Standard and Poor's 500-stock index — the market measure used by most professional investors — has gained 6.7 percent this month. If it closes Friday at this level or higher, it will be the best December return for the index since 1991.

Trading continued to be thin ahead of the New Year's holiday. In the absence of any fresh economic data or major corporate news, investors were attracted to the government's latest bond auction. Treasurys rallied and stocks also drew strength from the successful sale. Traders' moods also appear to be buoyed by the mostly positive economic news of recent weeks.

Strong corporate profits have helped push stocks higher for much of 2010.

"The primary theme of 2010 was that corporate profits were much better than expected," said Philip Dow, director of equity strategy at RBC Wealth Management in Minneapolis. "As we enter into 2011, my hope and belief is that we move from recovery to expansion and a self-sustaining economy."

The Dow Jones Industrial average closed 9.84 points higher, or 0.1 percent, to 11,585.38. The S&P 500 rose 1.27, or 0.1 percent, to 1,259.78. The technology-focused Nasdaq gained 4.05, or nearly 0.2 percent, to 2,666.93.

Stocks rose across the market, with eight of the 10 industry groups in the S&P index posting gains.

Stock trading volumes on Wall Street are expected to be light throughout this week between the Christmas and New Year's holidays. Many investors have already closed their books for the year and are on vacation until January. Trading volume totaled just 2.3 billion shares on the New York Stock Exchange, where seven shares rose for every three that fell.

Traders have been encouraged that Americans took out their wallets to shop during the holiday season, after two years of holding back. However, RBC's Dow warns that America cannot depend on consumers alone to pull it out of the trough this time.

"People probably got bored of not spending and it was time to celebrate a little, but we shouldn't be surprised if the consumer retrenches again," said Dow.

Looking ahead, home sale data will be released today.