

Stocks rally after Bernanke remarks

Says economy still needs help to recover, prompts optimism

By Christina Rexrode
The Associated Press

NEW YORK — Stocks leapt to multi-year highs and recorded one of their biggest gains of the year Monday after Federal Reserve Chairman Ben Bernanke suggested that the economy still needs help to produce faster job growth.

The Dow Jones industrial average climbed 160.90 points to 13,241.63, its third-best showing this year. The Standard & Poor's 500 index rose 19.40 points to 1,416.51, its highest close since May 2008.

The Nasdaq composite index, which is closing in on a 20 percent rally for the year, climbed 54.65 points to 3,122.57, its best finish since November 2000.

Health care stocks led the market. The Supreme Court heard the first of three days of arguments on the constitutionality of President Barack Obama's 2010 health care law, which will require Americans to carry insurance or pay a penalty.

Health care stocks gained 1.7 percent as a group. Aetna gained 3.1

percent, WellPoint 2.9 percent and UnitedHealth Group 2.7 percent. The court is expected to decide the case in June.

Bernanke, speaking to a group of economists, sounded pessimistic about jobs even though the country added an average of 245,000 jobs each month since December and the unemployment rate has fallen steadily since last summer.

He noted that the number of people working and the hours they work are well below where they stood before the 2008 financial crisis. He also suggested that some of the decline in the rate was because discouraged workers gave up looking for work.

Bernanke's comments could mean two things for the market.

On one hand, they suggest that he believes the Fed needs to continue to prop up the economy — by keeping short-term interest rates near zero and perhaps by buying more bonds later.

"It's been a while since we've had any real direction saying we need a bigger push to clean up

unemployment," said Chip Cobb, senior vice president of Bryn Mawr Trust Asset Management in Pennsylvania.

"Now we're looking for more stimulus again. It's like we can't get enough."

Others focused on Bernanke's remarks that some recent hiring is merely companies making up for laying off too many people in 2009, rather than a sign of a growing economy.

That could be a relief to investors who were worried that labor costs would grow too quickly and shrink earnings, said Paul Zemsky, head of asset allocation at ING Investment Management in New York.

Some of the jump in stocks could also be because money managers are piling into stocks before the first quarter ends this week.

Fund managers who missed out on this quarter's rally will want to show clients they are invested for the next quarter.

"It may not be a wise investment decision, but I think it happens," said Brian Lazorishak, portfolio manager at Chase Investment Counsel in Charlottesville, Va.

Stocks mostly rose in Europe.

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BUSINESS



Stock posted one of the best days of this year Monday as some traders Ben saw remarks by Fed Chairman Ben Bernanke as a signal that more stimulus is needed to prop up the U.S. economy. /AP