BUSINESS

Stocks rally on positive data

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NEW YORK — The stock market began June with a big rally, thanks to another wave of encouraging economic data.

But some investors are nervous that the month, traditionally a weak one for stocks, may not end as well. The market's gains on Monday came despite signs that the economy might have a tough slog ahead of it, including rising interest rates and the nation's fourth-largest bankruptcy ever.

Traders homed in Monday on better-than-expected readings on manufacturing, consumer spending and construction spending. The Dow Jones industrial average and other major indexes rose more than 2 percent, and the Standard & Poor's 500 index and Nasdaq composite rose to their highest levels this year.

But while the data suggested the economy's decline is moderating, a trend that has heartened investors this spring, the numbers did not indicate a rebound yet. Construction spending rose in April, but personal spending was down slightly. Personal incomes were flat and U.S. manufacturing activity contracted for the 16th straight month in May, although at a slower pace.

Separately, a trend that ruffled investors last week — falling Treasury prices and surging yields — resumed Monday as economic data topped estimates and drove the dollar lower. Unlike last week, the stock market shrugged off the rise in long-term borrowing rates, which some fear could hamper a recovery by driving up interest rates on mortgages and other consumer loans.

With stocks' spring rally now nearly three months old, a number of analysts think the market has come too far, too fast since hitting 12-year lows in early March. The S&P 500 had its quickest recovery since the 1930s.