

Trader Daniel Kryger, right, works on the floor of the New York Stock Exchange on Friday. U.S. stock indexes rose in early trading Friday. RICHARD DREW/AP

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Stocks rise as E.U. nears budget pact

Potential resolution of its debt crisis boosts the markets sharply

By Daniel Wagner
The Associated Press

A deal to forge stronger ties between most of Europe's economies sent stocks sharply higher Friday as hopes grew that the region is close to resolving its debt crisis. The Dow Jones industrial average rose 186 points.

All 17 nations that use the euro agreed to sign a treaty that allows a central European authority closer oversight of their budgets.

Nine other EU nations are considering it. Britain is the lone holdout.

The agreement came after marathon overnight talks among European leaders at a two-day summit in Brussels.

A deal on tighter fiscal control is considered a crucial step before the European Central Bank will consider committing more money to lower borrowing costs of heavily indebted countries like Italy and Spain by buying their bonds.

Ryan Detrick, senior technical strategist with Schaffer's Investment Research, cautioned that investors have been disappointed by Europe's previous efforts to contain its debt crisis.

The market will likely remain volatile in the coming weeks, he said, because the European plan is "only a minor step" toward a solution.

"We've seen these agreements before, and they can just as easily deteriorate," Detrick said.

The Dow closed up 186.56 points, or 1.6 percent, at 12,184.26.

It's up 1.4 percent for

See STOCKS, Page 4B

STOCKS

Continued from Page 3B

the week.

Bank stocks led the market higher, reflecting traders' optimism about Europe's progress toward solving its crisis.

Citigroup Inc. rose 3.7 percent, Morgan Stanley 3.2 percent and JPMorgan Chase & Co. 3 percent.

Banks have been weighed down for months by fears about their exposure to Europe.

The biggest European banks have been downgraded.

If Europe's crisis spins out of control, U.S. banks that do business with them would also suffer.

The Standard & Poor's 500 index closed up 20.84 points, or 1.7 percent, at 1,255.19. The Nasdaq composite index finished up 50.47, or 1.9 percent, at 2,646.85.

The S&P is up 0.9 percent for the week, the Nasdaq 0.8 percent.

The gains were broad. DuPont was the only stock among the 30 in the Dow average to fall.

The chemical and materials company slid 3.2 percent after saying it expects earnings this year will fall well short of Wall Street's forecasts because of weak demand for electronics and industrial supplies.

It was the second consecutive week of gains for all three indexes. Stocks were pummeled two weeks ago as borrowing costs soared for European nations such as Italy. They recovered last week after the world's major central banks announced a program to give commercial banks easier, cheaper access to loans in U.S. dollars.

Both the Dow and the S&P have risen 14 percent since hitting yearly lows Oct. 3. Only the Dow, however, is higher for the year.

Trading volume was very light. Just 3.6 billion shares were traded on the New York Stock Exchange, well below the recent daily average of 4.7 billion.

The yield on the 10-year Treasury note rose to 2.07 percent from 1.97 percent late Thursday, signaling lower demand for ultra-safe investments.

The rise followed news that a survey of U.S. consumer sentiment hit a six-month high this month, better than Wall Street expected. Stocks barely reacted.

"The U.S. is showing definite signs of improving on the economic front, yet we almost ignore it, and every day we seem to focus on European issues," Detrick said.

Many think the only path out of the debt crisis is a more active role by the European Central Bank, which can buy up government debt to keep nations' borrowing costs down. It currently buys bonds in the markets, but only reluctantly, and in small quantities.

Germany and France, the two biggest economies in the euro zone, had hoped to persuade all 27 members of the European Union to change an EU treaty and impose tight fiscal rules on its members. Britain refused to join in because it wanted to be exempt from proposed financial rules.

Among other companies making big moves:

» Pall Corp. surged 7.9 percent after the filtration equipment maker reported fiscal first-quarter earnings that far exceeded analysts' expectations.

» The Cooper Cos. Inc. leaped 16.6 percent after the eye care company topped expectations with its fiscal fourth-quarter performance.

» General Electric Co. rose 3.3 percent after the manufacturing giant said it will increase its quarterly dividend by 2 cents to 17 cent per share, GE's fourth increase in two years.