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Stocks rise as Fed sees improving economy

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NEW YORK — The stock market struggled but held its ground Wednesday as an upbeat assessment of the economy from the Federal Reserve offset drops in bank and energy stocks.

Most stocks finished higher after the Fed said regional economic activity has generally improved since its last snapshot in October. The central bank also said consumer spending has strengthened even as employment and commercial real estate remain weak.

The Dow Jones industrial average slipped 19 points a day after jumping 126. Reports of analysts' warnings about bank stocks hurt financial shares, while a steep drop in oil weighed on energy companies.

A mixed reading on the labor market also kept trading subdued. The ADP National Employment Report said private companies cut 169,000 jobs in November, fewer than the number lost in October but worse than the 160,000 cuts expected by economists polled by Thomson Reuters. It was the eighth monthly drop.

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Bill Stone
PNC Wealth Management

Investors are focused on the job market, which remains weak despite signs of life in manufacturing, housing and other parts of the economy.

"It all falls apart if you don't get jobs to come around," said Bill Stone, chief investment strategist at PNC Wealth Management.

The ADP report, while it doesn't represent the entire economy, is often seen as a good indicator of what will emerge in the government's closely watched monthly employment report, which is due on Friday. Economists are expecting the unemployment rate remained flat at 10.2 percent in November.

A rising dollar also cooled the market's advance.

Trading has been volatile in recent days as investors try to determine whether the massive gains in the stock market since early March accurately reflect the economy's strength. Investors have been worried that the nascent recovery could be threatened by economic problems overseas or missteps by the government.