Stocks see best start since '98

Rise in consumer spending gives markets a big boost

By Joshua Freed
The Associated Press

Rising consumer spending boosted stocks Friday, and Wall Street closed its best first quarter since 1998.

The Dow Jones industrial average rose 66.22 points to close at 13,212.04. The Standard & Poor's 500 index rose 5.19 points to close at 1,408.47. The Nasdaq composite barely moved, falling 3.79 points to close at 3,091.57.

For the quarter, the Dow posted an 8 percent gain and the S&P a 12 percent gain, the best for those indexes in 14 years. The gain was 19 percent for the Nasdaq, its best since 1991.

The Commerce Department said consumer spending rose in February at the fastest rate in seven months. Strong hiring over the past three months has added up to the best jobs growth in two years, putting more people back to work.

Americans spent more even though their income has stagnated for two months after taxes and inflation. Some of the increased spending has gone to gasoline, which is the most expensive on record for this time of year. Oil prices rose again Friday, to $103.02 per barrel in New York.

Nine out of 10 industry groups in the S&P 500 rose. The biggest-gaining category was energy stocks, although refiners fell because of the higher oil prices. Health care stocks rose, too, with two of the biggest gainers being health insurers UnitedHealth Group Inc. and WellPoint Inc. Technology stocks fell slightly.

Some of the buying could be driven by end-of-the-quarter efforts by fund managers to get into stocks now that they have become popular again, said Jim Russell, a regional investment director for US Bank Wealth Management. And individual investors who have been relying on bonds appear to be getting back into the market, too, he said.

"We are very heartened to see the retail investor stop playing one key on the piano — that is, all bonds, all the time," he said.

The yield on the benchmark 10-year U.S. Treasury note rose to 2.22 percent from 2.16 percent late Thursday. Treasury yields have

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risen two months in a row as investors feel more comfortable moving out of bonds and into riskier assets like stocks.

Apple fell 1.7 percent after a company that makes its iPhones and iPads said it would effectively raise per-hour wages at its factories in China, suggesting that manufacturing prices could rise.

Shares of BlackBerry maker Research in Motion Ltd. rose 6.6 percent a day after the Canadian company said it would return to focusing on corporate customers and shake up its management to try to get profits growing again.

Corn prices surged 6.6 percent on news that suppliers are tighter than previously thought. Higher corn plus higher oil prices points toward higher food prices. Grocer stocks fell: Supervalu Inc. was down 3.7 percent, and Safeway Inc. fell 1.3 percent.

Best Buy closed down 4.4 percent as investors continued to digest its plan to cut stores and staff as it shifts toward smaller stores in an effort to compete with online retailers. Best Buy stock lost almost 7 percent Thursday.

Sports apparel maker Finish Line Inc. fell 16 percent after it predicted a lower-than-expected first-quarter profit.

European markets bounced back after a rocky week that included a national strike in Spain. On Friday, the country unveiled a draft 2012 budget that seeks to cut the deficit by $36 billion through spending cuts and a tax hike on large companies. But Spain also plans to cut government ministry spending by an average of nearly 17 percent.

Germany's DAX closed up 1 percent at 6,947, while the CAC-40 in France rose 1.3 percent to 3,424. The FTSE 100 index of leading British shares was up 0.5 percent to 5,768. The euro rose half a penny against the dollar, to $1.3334.

Asian markets took a hit after some poor factory production numbers from Japan.