STOCKS SOAR ON FED TALK

Dow, S&P 500 hit records after Bernanke calms investors on bond policy

By Steve Rothwell
Associated Press

NEW YORK — Call it the Bernanke Boost.

The stock market, which has been marching higher for a week, got extra fuel Thursday after Federal Reserve Chairman Ben Bernanke said the central bank will keep supporting the economy.

The Dow Jones industrial average and Standard & Poor's 500 surged to all-time highs. And the yield on the 10-year Treasury note continued to decline as investors bought bonds. Stocks that benefit most from a continuation of low interest rates, such as homebuilders, notched some of the biggest gains.

The chairman made the comments in a speech late Wednesday after U.S. markets had closed, saying the economy needs the Fed's easy-money policy "for the foreseeable future."

He said the U.S. economy needs help because unemployment is high. The remarks seemed to ease investors' fears that the central bank will pull back on its economic stimulus too quickly. The Fed is currently buying $85 billion a month in bonds to keep interest rates low and to encourage spending and hiring.

Stock index futures rose overnight and the market surged at the open Thursday.

"It's back to the old accommodative Fed, so the markets are happy again," said Randy Frederick, managing director of active trading and derivatives at the Schwab Center for Financial Research.

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Stocks slumped last month after Bernanke laid out a possible timetable for the end of stimulus, saying the Fed would likely ease back on its monthly purchases if the economy strengthened sufficiently.

On Thursday, the S&P 500 index jumped 22.40 points, or, 1.4 percent, to 1,675.02, surpassing its previous record close of 1,669 from May 21. The index rose for a sixth straight day, its longest streak in four months.

The Dow rose 169.26 points, or 1.1 percent, to 15,460.92, above its own all-time closing high of 15,409 set May 28.

The Nasdaq composite rose 57.55 points, or 1.4 percent, to 3,578.30.

In government bond trading, the yield on the 10-year note fell to 2.57 percent from 2.63 percent Wednesday. The yield has dropped this week. It surged as high as 2.74 percent Friday after the government reported strong hiring in June. Many traders took that report as a signal that the Fed would be more likely to slow its bond purchases sooner rather than later.

Among companies in the S&P 500, Advanced Micro Devices rose the most after news that the company is making chips for two big gaming devices. The company gained 47 cents, or 11.8 percent, to $4.45. Homebuilders, which are very sensitive to the outlook for interest rates, followed.

D.R. Horton rose $1.93, or 9.2 percent, to $22.98 and Lennar Group climbed $2.88, or 8.3 percent, to $37.44.

The housing market has benefited from low interest rates because they help make mortgages cheaper.

"The Bernanke qualifications have taken the interest rate risk off the table and now it's really about what will earnings say," said Jonathan Lewis, chief investment officer at Samson Capital Advisors.

The price of gold gained for a fourth straight day, climbing $32.50, or 2.6 percent, to $1,279.90 an ounce. Gold has rebounded this week after falling close to a three-year low.

Among stocks making big moves:

» **Bridgepoint Education** rose $3.31, or 26 percent, to $15.92, after the for-profit education company said its Ashford University had won accreditation.

» **Microsoft** rose 98 cents, or 2.8 percent, to $35.69, after the company announced a major reorganization.

» **Rockwell Medical Technologies** jumped 59 cents, or 15.7 percent, to $4.35, after the drug developer said an experimental treatment for kidney patients took a step toward winning approval.

» **Celgene** rose $9.84, or 7.9 percent, $134.90 after the New Jersey drugmaker said its cancer drug Revlimid met its goals in a late-stage study.



A specialist works on the floor of the New York Stock Exchange; stocks rose Thursday. RICHARD DREW/AP