Stocks' surge continues

Hopes of economic recovery grow as home sales rise for 3rd month

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NEW YORK — Investors celebrated news of another jump in home sales by propelling the Dow Jones industrials to their first close above 9,000 since January.

Better-than-expected profits at some of the nation's biggest companies also lifted the market, giving the Dow a 188-point rally to finish at its highest level since November.

The Dow's gain was the latest jump — and not even the biggest — in a surge that has lifted the index 923 points, or 11 percent, in only nine days as hopes grow about an economic recovery.

The latest climb followed a report that sales of previously occupied homes rose for the third month in a row in June. Unemployment and a weak housing market have been two of investors' biggest worries so any sign of improvement is big news for the economy.

The National Association of Realtors said sales of previously occupied homes rose 3.6 percent in June. Sales came in at 4.89 million, above the 4.84 million analysts had been expecting.

Another batch of corporate profit reports also helped boost the market. Ford Motor Co. surprised investors with a profit of $2.3 billion, due mainly to a huge gain for debt reduction, while manufacturing conglomerate 3M Co. and candy maker Hershey Co. raised their profit forecasts for the year.

After a month of wayward trading, stocks began climbing again at the start of last week as companies like Goldman Sachs Group Inc. and Intel Corp. posted robust earnings.

"I don't think the market is signaling that we are fully healed at all but it is telling us that there is a strong likelihood that a recovery is under way," said Ciaran O'Kelly, head of equities,

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Americas, at Nomura Securities Intl. Inc. in New York.

The Dow rose 188.03, or 2.1 percent, to 9,069.29. It was the highest finish for the blue chips since Nov. 5 and the first time the Dow has traded or closed above 9,000 since January. Even with the gains, the Dow is still far off its peak of 14,165 in October 2007.

The Standard & Poor's 500 index rose 22.22, or 2.3 percent, to 976.29. It hasn't traded or closed above 1,000 since early November.

The Nasdaq composite index rose 47.22, or 2.5 percent, to 1,973.60, its 12th straight advance. The Nasdaq hasn't had a rally that long since a streak that ended Jan. 8, 1992.

About five stocks rose for every one that fell on the New York Stock Exchange, where volume came to 1.4 billion shares, compared with 1.1 billion Wednesday.

Analysts caution that volume remains relatively light, as is typical of the summer months when many traders take vacations. It's easier for the market to make big swings when there are fewer trades.

Bond prices tumbled, pushing their yields higher, as money flowed back into the stock market and out of safe-haven investments. The yield on the benchmark 10-year Treasury note, which is closely tied to home mortgage rates, jumped to 3.67 percent from 3.55 percent late Wednesday.

In downturns in the past 60 years, the S&P 500 index has hit bottom an average of four months before a recession ended and about nine months before unemployment reache its peak.

Dealmaking so supported stocks. nvestors look to companie' willingness to make aquisitions — and part wit cash or take on debt — a sign of confidence.

Bristol-Myers Squibb Co. said it plans acquire Medarex Inc. for bout $2.1 billion, the latest a string of acquisitions byhe drug maker. Medarex surged $7.49, or 89 pecent, to $15.89, while Brisl-Myers rose 57 cents, o2.8 percent, to $20.86.

Amazon.com In agreed to buy Zappos.co Inc., a privately held onhe shoe store, in a deal won about $850 million. Amazon rose $5.08, or 5.7 percent, to $93.87.

Ford's profit was a huge improvement over the record $8.7 billion loss the company reported the same quarter a year earlier. Without one-time gains, the car maker would have lost $424 million, or 21 cents per share. That is still smaller than the loss of 50 cents per share analysts had been expecting. Ford rose 60 cents, or 9.4 percent, to $6.98.

Some analysts warn that stocks won't be able to hold their gains if companies can't increase earnings by boosting revenue rather than slashing costs.

"It's like going on a diet. You can only starve yourself for so long," said Lawrence Creatura, portfolio manager at Federated Investors in Rochester, New York. "You cannot cost cut your way to prosperity."

Creatura noted that companies are reducing costs in large part by getting rid of workers. That could wind up hurting other businesses as the ranks of unemployed people grow. Unemployment is at a 26-year high of 9.5 percent, and the Federal Reserve predicts it will top 10 percent by year-end.

"It's still too soon," said Adam Gould, senior portfolio manager at Direxion Funds in New York, referring to the market's gains. "If you rally 10 or 11 percent in a two-week period based on not-so-great earnings that beat lousy expectations I think a pullback is healthy."

The Russell 2000 index of smaller companies gained 17.15, or 3.2 percent, to 545.85.