BUSINESS

# Time may be ripe for stock gains

## Investors may see maket signaling green light to dive into risky assets

By Adam Shell
USA TODAY

NEW YORK — Stocks soared on the first and second days of December, raising hopes that the final month of the year will live up to its reputation as the best month for stock performance.

Investors drove the Dow Jones industrials up 250 points Wednesday, and Thursday followed with another 107 points up.

The improving tone on the economy, coupled with rising hopes that the European Central Bank will announce new measures to stem contagion caused by debt problems in Ireland and other eurozone countries, gave investors the green light to pile back into risky assets, such as stocks.

December has been the No. 1 month for stock returns for the Standard & Poor's 500 index since 1950, according to the 2011 edition of the Stock Trader's Almanac. The large-company stock index has posted average gains of 1.65 percent in December.

The consistency of the gains in December is also impressive, with gains 77 percent of the time since World War II, vs. 59 percent for all 12 months, S&P says.

The market's ability to consistently fare well in December is due in part to the tendency of investors to stop viewing the market with a short-term lens but instead using the end of the year to look at opportunities in stocks over a longer time period, says Sam Stovall, chief investment officer at S&P.

"By extending the forecasting time frame, it allows more time for investors' optimistic forecasts to come true," Stovall says.

The fact the winning pattern has been consistent feeds on itself, and investors buy stocks so as not to miss out on the rally. "It tends to be self-fulfilling," adds Jeff Kleintop, chief market strategist at LPL Financial.

The odds of the rally continuing are good if economic data continue to come in better-than-expected, Kleintop adds. The reason: It puts a big dent in fears of an economic relapse. The ADP Employer Services report Wednesday, for example, said private companies added 93,000 jobs in November, which suggests employment trends are improving. China's report of strong manufacturing last month reassures investors "that the major driver of global growth remains intact," Kleintop says.

The improving economic data in the U.S. have overshadowed debt problems in Europe and geopolitical risks around the globe. The better data also mean investors could soon be hearing more positive outlooks from corporate CEOs, adds Kate Warne, market strategist at Edward Jones.