SATURDAY, APRIL 25, 2009 THE GREENVILLE NEWS

Dow posts 119-point gain



RICHARD DREW / The Associated Press

Ted Weisberg, left, works on the floor of New York Stock Exchange on Friday.

Wall Street finds little stress in 'stress tests'

By Tim Paradis
THE ASSOCIATED PRESS

NEW YORK — Investors set aside some of their worries about banks and the economy Friday after the government unveiled its methods for testing the health of banks.

The Federal Reserve report was light on details, but didn't bring any bad news. That cleared the way for a 119-point gain in the Dow Jones industrial average, leaving it down slightly for the week.

Investors were pleased about better-than-expected quarterly results from Ford Motor Co. Positive news from American Express Co. and Microsoft Corp. also energized the market.

The Fed, in outlining the tests' methodology, said the 19 companies that hold one-half of the loans in the U.S. banking system won't be allowed to fail — even if they fared poorly on the stress tests.

Separately, bank executives were being briefed on their test results in meetings across the country. By law, the banks cannot publicize the results without the government's permission, but Wall Street buzzed with anticipation and most financial stocks rose.

"There are no major shocks in here. That's why the market's holding up well," said Scott Fullman, director of derivatives investment strategy for WJB Capital Group. "It's been hanging over the market for the last few days."

The day was not without volatility, however. After the Fed's release, the stock market at times gave up huge chunks of gains before finishing solidly higher. Financial stocks, as they have been all week, were leading the way.

According to preliminary calculations, the Dow rose 119.23, or 1.5 percent, to 8,076.29, after rising by as many as 170 points.

Broader market measures also jumped. The Standard & Poor's 500 index rose 14.31, or 1.7 percent, to 866.23, and the Nasdaq composite index rose 42.08, or 2.6 percent, to 1,694.29.

Steve Sachs, director of trading at Rydex Investments, in Rockville, Md., said market has held up well during a week in which about a quarter of the companies in the S&P 500 index have released earnings, including the major banks.

"We are looking for the signs of economic recovery," he said. "The market clearly is comfortable that it sees the signs of economic stability that it needs to see."

Sachs said he wouldn't be surprised to see some retreat in stocks after the major market gauges have surged more than 20 percent since the rally began March 10. Stocks are still down by more than 40 percent from their peak in October 2007.

Stocks jumped from the start of trading Friday after Ford's loss wasn't as bad as analysts had forecast. The No. 2 automak-

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The banks will have a few days to review the government's stress tests results and appeal any findings they disagree with. Regulators will give them the final results next Friday, according to two people familiar with the matter who spoke on condition of anonymity because they were not authorized to discuss it publicly.

Senior Fed officials said regulators will be keeping a close eye on banks to make sure they have adequate capital to withstand likely losses on mortgages and other assets as the recession drags on.