Saturday, April 18, 2009 The Greenville News

Wall Street keeps rally going Friday

Earnings reports reassure investors

By Sara Lepro
The Associated Press

NEW YORK — Wall Street found enough in the latest earnings reports to keep its six-week rally alive.

Stocks ended another winning week with a modest advance Friday as earnings from Citigroup Inc. and General Electric Co. came in ahead of the market's meager expectations.

The numbers weren't great by normal standards but were good enough to extend a rally that began on early signs that the economy was finding some stability.

Citigroup was the fourth bank in a week with news that pointed toward a budding recovery in the industry. But the company, echoing comments from JPMorgan Chase & Co. on Thursday, also said loan losses are expected to continue in the months ahead.

GE, meanwhile, said its first-quarter earnings dropped 36 percent as sales and profits shrank at its GE Capital financial division. The stock edged up 1 percent.

Kent Engelke, chief economic strategist at Capitol Securities Management, said the results placated investors. "If these companies didn't meet or exceed these expectations, we would have gotten killed," he said.

Stocks fluctuated for much of the day to end with slight gains. According to preliminary calculations, the Dow Jones industrial average rose 5.90, or 0.1 percent, to 8,131.33.

The Standard & Poor's 500 index added 4.30, or 0.5 percent, to 869.60, while the Nasdaq composite index rose 2.63, or 0.2 percent, to 1,673.07.

For the week, the Dow is up 48 points, or 0.6 percent. The S&P 500 index posted a gain of 1.5 percent. The Nasdaq is up 1.2 percent for the week and 6 percent for the year.

Wall Street showed resilience in the first big week of first-quarter earnings reports, weathering disappointments from chip maker Intel Corp. and Google Inc. While investors weren't happy with Friday's news, they weren't caving to uncertainty as they did the first two months of the year, when heavy selling brought the major indexes to 12-year lows.

"I think most people realize there are still causes for concern, but maybe not causes for panic," said Carl Beck, a partner at Harris Financial Group, a Colonial Heights, Va.-based investment advisory firm.

Wall Street's rally began in early March after Citigroup reported it had operated at a profit during the first two months of the year. A string of more upbeat economic and earnings data gave the rally momentum, but, as often happens during earnings season, the market has stumbled when companies have unsettling news.

While Wells Fargo & Co., Goldman Sachs Group Inc. and JPMorgan Chase have all reported

See RALLY on page 18A

RALLY

FROM PAGE 17A

profits that surpassed expectations, some of those gains came on trading activity that's not expected to continue. And companies that depend heavily on lending are still seeing borrowers default because of the recession.

"I think the response is guarded," said Joseph Tatusko, chief investment officer at Westport Resources Management. "There are waves of defaults and credit issues that have yet to come on shore."

Citigroup reported a quarterly loss of just under $1 billion, less than analysts expected. A year ago, the bank suffered a loss of more than $5 billion. Its shares lost 9 percent, falling 36 cents to $3.65.

Two other major banks, Bank of America Corp. and Morgan Stanley, will report results next week. Other big reports due next week include Boeing Co., Coca-Cola Co., IBM Corp. and McDonald's Corp.

Mattel Inc., the largest U.S. toymaker, said Friday that weak overseas sales and cautious orders from retailers led to a wider loss than expected. But the stock jumped $1.98, or 15.2 percent, to $15.01 after the company said sales of Barbie rose 18 percent in the U.S.

Mobile phone maker Sony Ericsson posted a $387 million loss and said it would cut an additional 2,000 jobs, while Toshiba Corp., Japan's top chipmaker, warned that its loss for the last fiscal year will be bigger than expected.

Investors were cautious during the week, mindful that poor earnings reports could easily send the market reeling. Stocks dipped earlier this week on poor retail sales and an unexpected drop in wholesale prices, but better-than-expected earnings reports from JPMorgan and Nokia Corp. helped the market snap back. The Dow and the S&P 500 index are at their highest levels in more than two months and the Nasdaq is at its highest level of the year.

Jim Herrick, director of equity trading at Baird & Co. attributed some of the buying to short-covering. This occurs when investors who earlier sold borrowed stock on expectations of a market drop are forced to buy back those shares. The pattern of stocks fluctuating in early trading only to move higher late in the day has been a recurring theme in the past few days.

In other trading, the Russell 2000 index of smaller companies rose 5.49, or 1.2 percent, to 479.37.

About two stocks rose for every one that fell on the New York Stock Exchange, where volume came to 2 billion shares.

Bond prices dipped, sending the yield on the 10-year Treasury note up to 2.95 percent from 2.83 percent.

Light, sweet crude added 35 cents to settle at $50.33 a barrel on the New York Mercantile Exchange.

Overseas, Britain's FTSE 100 rose 1.0 percent, Germany's DAX index gained 1.5 percent, and France's CAC-40 rose 1.8 percent. Japan's Nikkei stock average rose 1.7 percent.