



Stocks Add to Gains, Led by Telecom, Banks

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Stocks put in another strong showing on Wednesday as investors seemed to put aside concerns over geopolitical fears to send stocks higher, although volumes remain thin.

The Dow Jones Industrial Average gained more than 85 points after closing higher in the previous session despite significant global headwinds and mixed economic news. The blue-chip is nearing a 2-1/2 year high (the Dow closed at 12,391 on Feb. 18).

AT&T, Exxon Mobil and Merck and led the Dow higher, while Cisco slipped. The S&P 500 and the Nasdaq also gained. The CBOE Volatility Index, widely considered the best gauge of fear in the market, fell below 18.

All key S&P 500 sectors advanced, led by telecom, utilities and consumer discretionary.

Today's move higher is "part of the continuing movement out of fixed income and into the equity markets," said Bernard McSherry, senior vice president at Cuttane.

The fact volume has been light for several sessions, though, worries McSherry, who said you want investors "to really buy into" a rally. Only 616 million shares changed hands on the New York Stock Exchange floor in the final hour of trading.

At current levels, the market is on track to post the best quarter since 1998. That's in the face of unrest and uncertainty around the globe, from fighting in Libya, to protests in the Middle East, to the repercussions from the disaster in Japan.

One reason for the U.S. market's resilience is investors have few other places to invest, Yu-Dee Chang, chief trader at principal at ACE Investment Strategists told CNBC.com.

"There's a lot of concerns everywhere, but there is no yield anywhere," Chang said. "So everyone is forced back in the market."

Among U.S. stocks, Chang likes big, dividend-paying companies, but he's also making a bet on financials, which had largely slumped since announcing dividend increases and stock buybacks after receiving approvals from the Federal Reserve. Analysts had anticipated the payouts to shareholders, and the stocks sold off on the news.

"We like to buy on dips," Chang said, adding that he likes large-cap financials, and the Financial Select SPRD Fund, which was up more than 1 percent.

Chang also likes gold, and gold-related stocks and ETFs, as he believes precious metals are benefiting from the current instability in the world. But if stability returns, the economy will revive, and so will inflation, also making gold a smart investment. Gold closed above \$1,423 an ounce.

On the tech front, Apple fell slightly after Jefferies pared earnings estimates in part because of supply constraints related to the disaster in Japan. Jefferies remains positive about the company, however, and reiterated its buy rating and \$450 price target.

Dell skidded after Needham cuts its rating on the tech giant to "hold" from "buy," saying its cloud products were disappointing.

Amazon shares climbed more than 3 percent after Morgan Stanley reiterated its "overweight" rating on the stock and raised its price target to \$225 from \$205.

Salesforce.com gained after the software company said it would buy Radian6 to supplement its social-media monitoring.

Credit card providers such as Visa and MasterCard saw a boost as rules limiting debit-card swipe fees are likely to be delayed. Bernanke sent a letter to Congress on Tuesday saying that the Fed was unlikely to meet an April 21 deadline to finalize the rules.

Among financials, a handful of investment firms including Blackrock and Fidelity are in talks to buy stakes of Spanish bank, Bankia, according to sources. Blackrock shares jumped more than 5 percent.

President Obama mentioned the merits of increasing natural gas use for transportation to help reduce U.S. economy's dependence on crude oil imports in his speech on energy, sending shares of utilities including Centerpoint Energy, Constellation Energy, First Energy up more than 2 percent each.

In earnings news, Family Dollar gained after reporting robust profits on strong sales.

In M&A news, Valeant Pharmaceuticals made a \$5.7 billion hostile bid for Cephalon to be financed with debt.

And chemicals company DuPont rose after it extended its \$6 billion takeover bid for Denmark's Danisco.

Qihoo 360 Technology skyrocketed more than 100 percent on its first day of trading. The Chinese Internet browser and security company priced its initial public offering Tuesday evening at \$14.50 a share.

Meanwhile, shares of Apollo Global slipped after at least five brokerages cut their price targets on the company, even after the private equity firm priced its IPO at the top end of its expected range.

Shares of American Airlines gained more than 3 percent after a story in the Fort Worth Star-Telegram that a firm in Florida plans to buy AMR for \$3.25 billion. According to the newspaper, AMR is skeptical of the offer.

Japanese automakers continue to struggle. Some 13 percent of worldwide auto output has been disrupted as a result of the March 11 earthquake and the situation is still far from stable.

Honda has said it will cut production at its U.S. and Canadian plants. The automaker has already suspended production at two plants in Japan. Toyota has also told American dealers to curtail orders.

Oil prices fell slightly as fighting in Libya continued, and as traders weighed high U.S. inventories. On Wednesday, the Department of Energy said crude oil inventories rose by 2.95 million barrels. President Obama, meanwhile, announced a goal of cutting U.S. oil imports by a third on Wednesday. U.S. light sweet crude fell to nearly \$104 a barrel and London Brent crude fell to nearly \$115.

Meanwhile, the dollar traded flat against a basket of currencies.

Treasury pared gains after the government auctioned \$29 billion of 7-year notes, which had a high yield of 2.895 percent and bid-to-cover of 2.79.

On the economic front, the private sector added 201,000 jobs from February to March, Automatic Data Processing and Macroeconomic Advisers said on Wednesday. The news comes two days before the government releases its closely watched nonfarm payrolls report.

Earlier, Challenger, Gray & Christmas reported that planned layoffs dropped 18 percent in March, down from 50,702 job cuts in February. And the Mortgage Bankers Association said mortgage applications dropped 7.5 percent for the week ended March 25, led by a 10.1 percent drop in refinancings.

European shares closed at a three-week high, with carmakers among the strongest performers and Porsche up as the subscription period for its capital hike started.

Irish banks were braced for the publication of stress tests on Thursday, which could reveal the need for fresh capital, Reuters reported. Irish bank and insurer Irish Life withdrew its shares from the Irish stock market Wednesday after Irish media reports that Ireland's government will take a majority stake in it following the publication of the new stress tests.

Past performance is not necessarily indicative of future results. The risk of loss exists in futures trading.