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## **Stocks jump after China shows confidence in Europe**

By STEPHEN BERNARD and TIM PARADIS (AP)  
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Stocks rocketed higher Thursday after China reassured investors it doesn't plan to sell the European debt it holds.

The Dow Jones industrial average rose about 210 points in midday trading, while Treasury prices tumbled as traders took money out of safer investments and put it into riskier assets like stocks and commodities.

The show of confidence in Europe let the market resume a climb that stalled late Wednesday following a Financial Times report that China was considering cutting its exposure to European debt. That would have signaled that China didn't think Europe would be able to contain the crisis. The agency that manages China's \$2.5 trillion in foreign reserves denied the report.

Stocks had been rising Wednesday after promising U.S. economic news helped traders set aside some of their concerns that high debt loads and deep government cost-cutting in Europe would slow a global rebound. Analysts also said some bounce has been expected after heavy selling that drove the Dow down 11 percent from its 2010 peak a month ago. Traders cautioned that this might not be a rally but merely a break in selling.

The steep gains Thursday were welcome after the Dow dropped eight of the last days. But trading has been volatile and recent weeks have shown that an early advance is no guarantee that stocks will end the day higher. Twice this week, stocks have climbed for much of the day only to see the advances erased in late slides. The Dow rose 135 points Wednesday morning, but ended the day down about 69.

Concerns about debt problems in Europe have pounded stocks around the world this month. Traders were initially worried that banks would get hit if weaker countries like Greece, Portugal or Spain defaulted on their debt. Now that a nearly \$1 trillion European Union rescue plan is coming together, the more recent fear has been that budget cuts in European countries will slow a global recovery.

The euro, which is seen as an indicator for confidence in the health of Europe's economy, rose to \$1.2288 Thursday after nearing on Wednesday the four-year low it hit last week. Trading in major markets around the world has often tracked the euro in recent weeks.

**Yu-Dee Chang, principal at ACE Investment Strategists in McLean, Va., said investors know that the problems in Europe will take time to resolve. Chang said the uncertainty about whether the U.S. economy will continue to rebound is keeping many traders from making long-term bets on stocks. That is adding to the market's swings.**

**"I'm willing to buy at certain times on dips but any time I get a nice profit after a certain stretch — I'm going to take my profit," Chang said.**

**Chang expects that the market will remain volatile for at least the next six months.**

In midday trading, the Dow rose 210.25, or 2.1 percent, to 10,184.70. The Standard & Poor's 500 index rose 24.56, or 2.3 percent, to 1,092.51, while the Nasdaq composite index climbed 58.06, or 2.6 percent, to 2,253.94.

At the New York Stock Exchange, about 2,800 shares rose while only about 200 fell. Volume came to 507 million shares, compared with 631 million shares traded at the same point Wednesday.

Bond prices tumbled, pushing interest rates higher. The yield on the benchmark 10-year Treasury note, which moves opposite its price, rose to 3.32 percent from 3.19 percent late Wednesday.

Crude oil rose \$2.77 to \$74.28. Gold rose.

Energy stocks led the market higher on the climb in oil.

Shares of BP PLC rose \$2.93, or 6.9 percent, to \$45.34 after the company and the Coast Guard said an effort to plug the leaking oil in the Gulf appeared to be working.

At the same time, new estimates Thursday indicated that the spill has surpassed the 1989 Exxon Valdez accident as the worst in the nation's history.

The news from China overshadowed disappointing reports about the U.S. economy. The Labor Department said initial claims for unemployment benefits fell last week, but not by as much as economists had forecast. A report on gross domestic product indicated that the U.S. economy did not grow as fast in the first quarter as previously thought.

The government said initial claims for unemployment benefits fell to a seasonally adjusted total of 460,000 last week. That's short of the drop to 455,000 that economists polled by Thomson Reuters had forecast.

High unemployment remains a stumbling block to a stronger recovery in the U.S. The unemployment rate rose to 9.9 percent last month.

A separate report said the nation's economy grew at an annual rate of 3 percent in the first three months of the year, worse than an initial government estimate of 3.2 percent growth. Economists had forecast that first-quarter GDP rose 3.4 percent.

Steady growth is welcome coming out of the recession but it still hasn't yet been enough to make a big dent in unemployment. Economists say growth would have to climb to around 5 percent for a year to cut the unemployment rate by 1 percentage point.

The slide Wednesday afternoon was tied to the report questioning whether China would cut its holdings of euro-denominated bonds.

Stocks had been rising following two upbeat reports on the U.S. economy. April durable goods orders and new home sales both rose more than forecast.

In other trading, the Russell 2000 index of smaller companies rose 16.57, or 2.6 percent, to 659.19.

Britain's FTSE 100 rose 3.1 percent, Germany's DAX index gained 3.1 percent, and France's CAC-40 rose 3.4 percent. Japan's Nikkei stock average rose 1.2 percent

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