

## News sends stocks soaring

From staff and wire reports

Posted: 03/23/2009 07:45:46 PM PDT

NEW YORK - Wall Street got the news it wanted on the economy's biggest problems - banks and housing - and celebrated by hurtling the Dow Jones industrials up nearly 500 points.

Investors added rocket fuel Monday to a two-week-old advance, cheering the government's plan to help banks remove bad assets from their books and also welcoming a report showing a surprising increase in home sales. Major stock indicators surged about 7 percent, including the Dow, which had its biggest percentage gain since October.

The Dow rose 497.48 to close at 7,775.86,, which marks the fifth-biggest point gain in the index's history.

Local analysts like Christopher Thornberg, principal of Los Angeles-based Beacon Economics, who have seen the market's recent false starts are still hesitant to say Wall Street is indeed recovering from the collapse that began last fall.



Traders work on the floor at the New York Stock Exchange in New York Monday, March 23, 2009. (AP Photo/Seth Wenig)

"Whether the stock market is going up or down or sideways is ... primarily driven by traders, who are driven by what other traders think. It's silly. It's a big game," he said.

Thornberg said he has no idea if the government's plan will work, or if it is necessary.

"The market doesn't know all. The market is made up of individuals with less economic training that I have. If I don't know if this will work ... they are just guessing," he said.

But the day's banking and housing news bolstered the growing belief that the economy is starting to heal, and that is what had investors buying.

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Jack Kyser, founding economist with the Los Angeles County Economic Development Corp., is hopeful that getting the assets off bank balance sheets will improve the public perception of the stability of the financial system and allow banks to feel more comfortable lending.

"Hopefully it will allow people in the county and in the San Gabriel Valley to get credit," he said.

Kyser called the Dow's bounce upward Monday "par for the course."

"The market is volatile ... the market is a very emotional creature, and therefore it is going to be a very volatile creature," Kyser said. "A lot of people have been badly burned by what is going on in the financial markets. They may see it go up ... but there is fear out there still."

The market began turning around two weeks ago on news that Citigroup Inc. was operating at a profit in January and February. A spate of more upbeat economic reports helped the market build on its gains, although the rally stalled last Thursday and Friday.

Analysts said they saw more fundamental strength in Monday's buying than they saw at the start of the rally. Dave Rovelli, managing director of trading at brokerage Canaccord Adams, said there appeared to be less short covering, which occurs when traders are forced to buy to cover misplaced bets that stocks would fall. Short covering contributed to the market's surge after the Citigroup news.



The ABC news ticker in New York's Times Square is photographed Monday, March 23, 2009. Wall Street got the news it wanted on the economy's biggest problems, banks and housing, and celebrated by hurtling the Dow Jones industrials up nearly 500 points. (AP Photo/Mary ...)

"There is definitely new buying," he said. Rovelli also said the approaching end of the quarter can make money managers eager to buy into a market to make the statements they send to clients look stronger.

Stocks shot higher at the opening and kept going. The Treasury Department said its bad asset cleanup program would tap money from the government's \$700 billion financial rescue fund and involve help from the Federal Reserve, the Federal Deposit Insurance Corp. and the participation of private investors.

The market had been waiting for weeks to hear details of the government's plan for helping banks get rid of bad assets. Treasury Secretary Timothy Geithner announced an outline of the program last month but provided few details then about how it would work, leading to a stock

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plunge that sliced 380 points from the Dow.

But while analysts were pleased with the market's performance Monday, they were also still cautious; Wall Street more than gave back its big year-end rally and continued falling during January and February.

Subodh Kumar, an independent investment strategist in Toronto, said the Fed's announcement that it would buy government debt and the details on plans to help banks are giving traders hope for recovery.

"The market is shedding some of its excess pessimism. That doesn't mean the market goes straight up," he said.

The National Association of Realtors' existing home sales report was overwhelmingly positive for investors, although it showed a decline in home prices in February. Investors are embracing any sign that a glut in homes for sale may be easing. Monday's data followed a dose of good housing news last week as housing starts for February came in much better than expected.

The 497.48-point rise on the Dow represents a gain of 6.8 percent, its highest finish since Feb. 13. It was the biggest point gain for the blue chips since Nov. 13 when they rose 552 points and the biggest percentage gain since Oct. 28, when they rose 10.9 percent.

The Dow is now up 1,228 points, or 18.8 percent, from March 9, when it finished at its lowest point in nearly 12 years, although it's still down 1,000

points in 2009. The S&P 500 is up 21.6 percent in that time.

The Dow and the S&P 500 index remain more than 45 percent below their peak in October 2007.

Collapsing home prices and the damage they have caused banks are at the center of the economy's current problems and are a major focus for the stock market. Banks have sharply curbed lending after becoming weighed down with loans that have gone bad, especially mortgages.

Investors had been largely disappointed in the government's efforts to date to restore the banks to health, but finally seemed encouraged by the long-awaited announcement of details for the bad loan cleanup plan.

Thornberg stuck with a wait-and-see approach.

"The fact is, the banks made a bunch of bad investments, and they are losing a bunch of money. No matter how (government officials) couch it, you are bailing banks out. To call it anything else, with fancy terms and funky programs, is fraud," Thornberg said.

"And does the market believe bailing out banks is a good idea? Probably. Are they happy? Obviously," he continued.

Thornberg called the government's plan "pie in the sky" because it relies on private investors to team up with the government, and he has "no

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idea" if the private sector is along for the ride.

According to Kyser, the plan contains no guarantee that the credit crunch will ease.

Kyser said he worried that people and businesses who may have qualified for loans a year ago have seen their financial situations deteriorate so severely that they won't qualify for the newly available credit.

"The banks would then have to say no, even if it is a long-standing customer. They are looking ahead and recognizing that, as a result of all this, you are going to see more stringent regulation of the financial sector and they have to be careful," Kyser said.

But the good news on Wall Street ultimately trumped the skepticism - at least on Monday.

The Dow Jones Wilshire 5000 index, which reflects nearly all stocks traded in America, jumped 7 percent. That's a paper gain of about \$700 billion.

More than 10 stocks rose for every one that fell on the New York Stock Exchange, where consolidated volume came to nearly 7.5 billion shares, about even with Friday's pace.

"The actions that we're getting from a policy standpoint are very helpful in removing the sand from the gears," said Alan Gayle, senior investment strategist at RidgeWorth Investments. "That is going to be good for the financials."

Shares of the country's largest banks, which have been pounded in recent weeks over concerns about their ability to weather the crisis, soared on Monday. Citigroup Inc. jumped 19.5 percent, and Bank of America Corp. added 26 percent.

Even banks seen as being on better footing posted big advances. JPMorgan Chase & Co. rose 25 percent, while Wells Fargo & Co. rose 24 percent.

Investors also welcomed the rise in home sales Monday although the biggest jump in nearly six years came as first-time buyers pounced on deep discounts of foreclosures and other distressed properties. Analysts say it could be a nascent sign of recovery. But only weeks ago traders might have dwelled on the 15.5 percent drop in median prices.

"It's like putting on a different pair of glasses and you think you saw something different today than you saw yesterday," Dunigan said.

Staff writer Rebecca Kimitch

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contributed to this story.

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