

Jump in consumer confidence pulls stocks from lows

By TIM PARADIS – 1 day ago

NEW YORK (AP) — After months of giving investors only headaches, consumers gave Wall Street a break Tuesday.

A closely watched measure of consumer confidence soared in April, pulling stocks off an early slide and leaving them with just modest losses as investors grew hopeful that a better outlook among spenders would translate into bigger cash register receipts. The consumer reading balanced worries that large banks might need more capital and concerns about the spread of swine flu.

IBM Corp.'s decision to boost its dividend and spend more to buy back stock gave the market another shot of confidence, but an afternoon rally petered out in the last hour.

The Conference Board said its Consumer Confidence Index surged this month, jumping 12 points to 39.2, its highest level since November. The reading came as a relief to investors as consumers, worried about falling home prices, rising unemployment and a slumping stock market, have been reluctant to spend since last fall.

Todd Leone, managing director of equity trading at Cowen & Co., noted that investors continue to grow more upbeat about prospects for the economy. That optimism followed a string of better-than-expected readings and has driven a market rally since early March.

"People aren't as afraid as they have been. We're definitely seeing more money come back into the market," he said.

But the market's confidence took a hit ahead of the consumer report as investors worried that a growth in swine flu cases could hurt industries such as travel and tourism. The World Health Organization raised its alert to Phase 4 out of 6, saying the flu spreads easily but is not a pandemic.

The Dow Jones industrial average ended the day down 8.05, or 0.1 percent, to 8,016.95 after being down as much as 86 ahead of the consumer confidence report.

Broader stock indicators also lost ground. The Standard & Poor's 500 index fell 2.35, or 0.3 percent, to 855.16, and the Nasdaq composite index fell 5.60, or 0.3 percent, to 1,673.81.

Banking troubles came back into focus after news came out that regulators told Bank of America Corp. and Citigroup Inc. that they may need to raise more capital unless they can convince regulators that results of government "stress tests" were mistaken.

Bank of America fell 77 cents, or 8.6 percent, to \$8.15, while Citigroup fell 18 cents, or 5.9 percent, to \$2.89.

Some stocks that depend on consumer spending rose on the Conference Board index. The reading was far better than the 29.5 that economists expected, and suggests consumers might be willing to spend more if confidence continues to build.

Starbucks Corp. rose 30 cents, or 2.3 percent, to \$13.50, while Coca-Cola Co. advanced 4 cents to \$42.28.

"In the short term, this market is going to continue to trade on psychology," said Matt Eads, portfolio manager at Eads & Hoel Investment Counsel in Atlanta. "People are looking for

portfolio manager at Eads & Neale investment counsel in Atlanta. "People are looking for anything they can grab on to, which is a sign of good news and economic stabilization."

IBM rose \$1.99, or 2 percent, to \$101.94 after the company raised its quarterly dividend 5 cents to 55 cents. The company's board authorized another \$3 billion for repurchasing stock. The move brings the total available for buying up shares to \$6.7 billion.

"IBM's buyback and dividend hike has given the market some confidence and reminded people that there is a little bit of favorable news in technology," said Nick Kalivas, vice president of financial research at the brokerage MF Global in Chicago.

Unlike other major benchmarks, the tech-heavy Nasdaq composite index is up 6.1 percent this year as investors look for lean technology companies to benefit quickly from an economic recovery.

Investors responded more to news about individual stocks rather than buying entire industries, as had been the case in recent months when traders placed bets on consumer staples and technology companies expected to better endure the recession.

In other trading Tuesday, the Russell 2000 index of smaller companies rose 3.28, or 0.7 percent, to 472.81.

The swine flu gave investors reason to cash in recent gains Monday, but the Dow is still up 22.5 percent from the nearly 12-year low it reached in early March.

Bond prices fell, pushing the yield on the 10-year Treasury note up to 3.01 percent from 2.91 percent.

The dollar was mixed against other major currencies. Gold prices fell.

Light, sweet crude fell 22 cents to \$49.92 a barrel on the New York Mercantile Exchange.

Advancing stocks narrowly outpaced decliners on the New York Stock Exchange, where consolidated volume came to 5.3 billion shares compared with 5.52 billion traded Monday.

Overseas, Japan's Nikkei stock average fell 2.7 percent. In Europe, Britain's FTSE 100 fell 1.7 percent, Germany's DAX index fell 1.9 percent and France's CAC-40 fell 1.7 percent.

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