

US stocks up 11 pct in near-record gain

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US stock indices surged to their second biggest gain in history on Tuesday, brushing aside news that consumer confidence dipped to a record low as some investors acting on a belief that markets may be bottoming out

Gains of more than 10 per cent by the blue-chip Dow Jones Industrial Average and the broader Standard & Poor's 500 followed strong stock gains earlier in the day in Europe and Asia. The Dow posted its second-largest point gain in history.

Much of the rally came in the last hour of trading in New York. Some of the rosier sentiment may be coming from anticipation of a Federal Reserve meeting on Wednesday, when the US central bank is likely to further cut benchmark interest rates from their current 1.5-per-cent level.

Other investors looked to a surge in sales of commercial bonds, a means used by average companies to get quick cash infusions. The Fed began buying up commercial paper on Monday, under a programme announced earlier this month, as part of an unprecedented effort to get credit flowing through the economy.

Yet the stock surge came amid more bleak economic news. The private Conference Board reported its consumer confidence index fell to 38 in October, compared to 61.4 in September. It was the lowest level ever recorded and the third-largest one-month drop.

The housing market at the centre of the credit crisis also showed few signs of slowing its decline. Home prices in the 20 largest US cities fell by 16.6 per cent in August compared to a year earlier, according to the S&P/Case Schiller Index, the largest drop since annual figures were first compiled in 2001.

The blue-chip Dow soared 889.35 points, or 10.88 per cent, to 9,065.12. The broader S&P 500 surged 91.59 points, or 10.79 per cent, to 940.51. The technology heavy Nasdaq Composite Index leapt 143.57 points, or 9.53 per cent, to 1,649.47.

The surges erased nearly all losses that investors sustained over the last six sessions on the US stock market. The Dow industrials remain down more than 30 per cent and the S&P 500 more than 35 per cent since the start of 2008.

On currency markets, the dollar rallied from a 13-year low against the Japanese currency, trading at 97.7 yen compared to 93.06 yen on Monday. The US currency fell against the euro to 78.64 euro cents from 80.04 euro cents on Monday.

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