Dow Nears 18,000 as Jobs Lift Stocks to 7th Weekly Gain

By Callie Bost and Joseph Ciolli - Dec 6, 2014

U.S. stocks rose for a seventh week, sending the Dow Jones Industrial Average (INDU) within 10 points of 18,000, as a series of labor reports signaled employers are hiring fast enough to drive economic growth.

Financial firms rallied 1.8 percent as JPMorgan Chase & Co. and Goldman Sachs Group Inc. had the biggest gains in the Dow. Energy shares rebounded from a 15-month low before paring gains on the week’s final days as oil reached a five-year low. Phone stocks sank 3.9 percent as investors sold equities with high dividends. Wal-Mart Stores Inc. (WMT) paced losses among retailers on
signs of a disappointing start to the holiday shopping season.

The Dow average added 130.55 points over the five days, or 0.7 percent, to an all-time high of 17,958.79, capping the longest weekly rally since November 2013. The Standard & Poor's 500 Index (SPX) gained 0.4 percent to a record 2,075.37. The Stoxx Europe 600 Index advanced 1.1 percent for a fourth weekly gain, rallying on the final day amid optimism the region’s central bank will boost stimulus.

“The U.S. economy is still the best in the world, and that alone is driving the markets,” Tom Sudyka, president of Lawson Kroeker Investment Management in Omaha, Nebraska, said in a phone interview. His firm oversees about $500 million. “It may not be the best value at this point, but it’s the best place to be. That’s where the money is going.”

A series of jobs reports showing sustained gains in hiring boosted optimism in the strength of the economy’s expansion. Employers added 321,000 jobs in November,
the most since January 2012, while the unemployment rate held at a six-year low of 5.8 percent and average hourly earnings gained the most since June 2013, government data showed.

**Widespread Gains**

A separate report indicated fewer Americans filed applications for unemployment benefits last week, while a Federal Reserve survey said “employment gains were widespread across districts” as the economy continued to expand.

JPMorgan Chase and Goldman Sachs rallied more than 3.7 percent to lead the Dow average to its 35th closing record of the year. It’s on the verge of topping 18,000 only 155 days since the first closing above 17,000 on July 3. If it gets there within 188 days, it will be the fifth-fastest trip between thousands, with the record being 35 days to 11,000 in May 1999.

The gauge closed almost 900 points below 17,000 on Oct. 16 before rallying more than...
1,840 points, or 11 percent, to today’s record. The Dow has climbed 8.3 percent this year, about five times more than the Russell 2000 Index of small-cap companies.

The S&P 500 has rebounded 11 percent from a low in October, as optimism in the economy overshadowed concerns about an end to Fed bond purchases and a slowdown overseas. The gauge trades at 18.4 times current earnings, its highest valuation since 2009.

**ECB Move**

European stocks rose to their highest level in almost seven years as the Stoxx 600 rallied 1.8 percent on the final day for a fourth weekly gain. Two European Central Bank officials familiar with deliberations said policy makers will consider a proposal to buy sovereign debt at its next meeting.

The gauge had its worst day in seven weeks on Dec. 4 after ECB President Mario Draghi refrained from pledging quantitative easing for the euro area, disappointing some
investors who had expected immediate action. Emerging-market stocks sank 1.9 percent in the week, as the strengthening U.S. economy stoked concern the Fed will raise interest rates sooner than estimated, damping demand for higher-yielding assets in developing nations.

**China Shares**

In China, the Shanghai Composite Index (SHCOMP) surged 9.5 percent in five days, the most for the period since February 2009, amid speculation the People's Bank of China will cut reserve-requirement ratios for lenders to boost growth.

The Chicago Board Options Exchange Volatility Index (VIX) declined 11 percent to 11.82, the lowest since August.

Five of 10 main industries in the S&P 500 advanced, with financial and health-care shares pacing gains. Biogen Idec Inc. rallied 11 percent after saying its Alzheimer's drug showed promising early results and will be
quickly moved into a final-stage trial.

Energy shares advanced 1.2 percent for the week. The group rallied 3.2 percent during the first three days before resuming a selloff with the price of crude. Oil has collapsed into a bear market amid the highest U.S. output in more than three decades and signs of slowing global demand growth.

Exxon Mobil Corp. and Chevron Corp. climbed more than 1.8 percent, while QEP Resources Inc. and Occidental Petroleum Corp. jumped at least 6.4 percent. Transocean Ltd. sank 11 percent for a sixth weekly loss.

**Apple, Retailers**

Apple Inc. lost 3.3 percent, snapping a streak of six weekly gains that had pushed the stock to new records. Shares dropped almost 6.4 percent during a 60-second swoon Dec. 1 that started 20 minutes after trading, before paring the decline and ending the day down 3.3 percent.
The iPhone maker's market value rose above $700 billion in November, a milestone that no other U.S. company has ever reached.

Retailers in the S&P 500 dropped 1.2 percent. A report from the National Retail Federation showed U.S. consumers spent an estimated 11 percent less than last year over the four days through Nov. 30. It's the second year in a row that Thanksgiving sales fell during a period famous for long lines and frenzied crowds.

Wal-Mart dropped 3.9 percent, while Best Buy Co. (BBY) plunged 9.6 percent in its biggest weekly loss since January. Amazon.com Inc. sank 7.7 percent as Cyber Monday sales growth slowed.

AT&T Inc. and Verizon Communications Inc. slid at least 3.9 percent as phone stocks tumbled. The group yields 4.8 percent in dividends, the most among the 10 main S&P 500 industries.

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