Banks, retailers and commodity-linked industrials pulled stocks higher amid buoyant sales reports for Black Friday and hope that European leaders are making progress in their efforts to resolve the region's debt crisis.

The Dow Jones Industrial Average rose 291.23 points, or 2.6%, to 11523.01, snapping a four-day losing streak. The rise was the Dow's biggest in a month. The Standard & Poor's 500-stock index rose 2.9% to 1192.55, ending a seven-day string of losses.

For Monday, at least, U.S. stock investors appeared largely unfazed by looming hurdles in Europe or the U.S.

David Lutz, managing director and head of macro trading at Stifel Nicolaus, says that is reason enough to question whether the rally will prove lasting. Mr. Lutz suggested much of the gains were built on hopes European policy makers were edging toward a large-scale, coordinated response on Europe. Monday's optimism focused on news regional leaders are discussing a strong fiscal pact to help keep the currency bloc together.

"There's a lot of 'hope-ium' in the air," said Mr. Lutz, managing director and head of macro trading at Stifel Nicolaus. "We continue to see so many conflicting headlines coming out of the euro zone...Until they come out with a bazooka, all the market has is hope-ium."
Financials were among the Dow's strongest gainers.

Monday alone brought plenty of dour news. The Organization for Economic Cooperation and Development lowered its growth forecasts for the world's largest economies. Moody's Investors Service wrote that the probability of a chain of defaults by euro-zone countries is no longer negligible, adding that the debt crisis could "soon enter a phase that policy makers are unable to control." After the market closed, Fitch Ratings lowered its outlook on its credit rating of the U.S. government to "negative" from "stable." Fitch, which rates the U.S. triple-A, cited its "declining confidence" that lawmakers will take necessary steps to cut the nation's deficit.

Many investors chose instead to focus on the retail sector, where sales on Black Friday—the much-hyped shopping day after Thanksgiving—showed a 6.6% increase from a year ago, according to retail data and consulting firm ShopperTrak. Amazon.com rose 6.4%. Macy's climbed 4.7%. Best Buy increased 3.4%, and Limited Brands rose by 3.9%.

"When the storm clouds of Europe pull back a bit, the economic data in the U.S. kind of shine through," said Stephen Wood, chief market strategist at Russell Investments. "The retail sales that we saw last week are one more data point to show the American consumer is deleveraging, but he isn't dead."

Heavy industrials tied to mining also rose, as prices for some base metals increased. Copper futures jumped 2.8% amid improved sentiment surrounding the state of Europe. Construction-machinery giant Caterpillar shot higher by 5.5%. Alcoa rose 5.7%. Freeport-McMoRan Copper & Gold climbed 6.3%.

Other commodities also rose, for somewhat different reasons. Crude-oil futures rose 1.5%, to $98.21 a barrel, due to unrest in Syria and the potential for more sanctions against Iran.

Tensions continued to manifest themselves in the global bond markets. Despite the global stock rally, investors clung to U.S. Treasury bonds. The yield on the benchmark 10-year note, which moves in the opposite direction of prices, declined through much of the New York trading session, staying below the closely watched 2% level to close at 1.958%, down from 1.966% on Friday.

The yield later moved higher after Fitch's statement lowering the nation's outlook. Fitch's decision came after the so-called supercommittee of 12 lawmakers was unable to find ways to cut the debt by $1.2 trillion earlier this month.

Belgium and Italy were forced to pay high yields in order to attract investors to their debt auctions Monday, though the market appeared to breathe a sigh of relief that those debt sales were completed.

Tuesday will bring a more significant test of investor willingness to lend to heavily indebted European countries when Italy seeks to auction off as much as €8 billion ($10.6 billion) worth of bonds.

Yields on German bunds, traditionally the European benchmark, continued their recent march higher, as investors drove prices lower. The recent selloff has prompted some investors to question whether the debt crisis may now be starting to undermine investor confidence in the strongest euro-zone countries.

Appetite for riskier financial bets was rising before the opening of trading in New York, after a report indicated the International Monetary Fund could provide between €400 billion and €600 billion in financial assistance to Italy. Though the IMF denied it is in bailout talks with Italy, the news was enough to boost shares of European financials, which have been hard hit during the debt crisis. France's BNP Paribas and Société Générale rose 11% and 10%, respectively. Crédit Agricole was up by more than 9%. Italy's
UniCredit rose 8.5%.

The S&P financial sector rose nearly 3%. Morgan Stanley jumped 4.1%, and Citigroup gained 6%.

—Dan Strumpf contributed to this article.

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