Dow Surpasses 16000 as U.S. Stocks Climb

*S&P 500 Tops 1800 and Nasdaq Flirts With 4000-point Level as Benchmarks Push Into Record Territory*

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The Dow Jones Industrial Average topped 16000 for the first time, extending a rally fueled by the combination of steady economic growth and central-bank stimulus.

The blue-chip index rose 52 points, or 0.3%, to 16014 in late-morning trade, after rising as high as 16030 shortly after the open. The Dow is up 22% since the start of the year and up 144% from its post-financial crisis lows.

The speed of the rally has taken some investors aback, but many money managers are coming around to the idea that stocks can stay aloft even if the Federal Reserve starts to rein in its easy-money policies. It took the Dow 136 trading days to notch its latest 1,000-point gain. That's the sixth-fastest rally of this magnitude in history.

While corporate earnings have been tepid of late, profits are still rising fast enough to support share prices, said Doug Cote, chief market strategist at ING Investment Management, which oversees $190 billion.

"Fundamentals are driving this market with help from our friends at the Fed," Mr. Cote said. "The notion that this market doesn't have room to run is actually false."

The S&P 500 index added three points to 1801, reversing an early gain that sent the index above 1800 for the first time. The Nasdaq Composite Index rose one point to 3987.

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The S&P 500 is on pace to show earnings growth of 3.6% in the third quarter versus last year, according to FactSet. That's up from growth of 2.6% in the second quarter and a 0.4% decline in corporate profits in the third quarter of 2012.

On Friday, the DJIA climbed 85 points, or 0.5%, to post the fifth record high close in six sessions, and 38th record of the year.

Many investors have credited the Fed's $85-billion-a-month
bond-buying program with helping keep the stock market in rarefied air. The Fed surprised investors when it decided against scaling back bond purchases in September, boosting stocks. And last week, Janet Yellen, President Barack Obama’s nominee for Fed chairman, defended the stimulus in remarks to Congress. Some money managers took this as a sign that the Fed could continue the program for several more months if Ms. Yellen is confirmed.

On Monday, U.S. stock investors took their cue from overseas markets. In Asia, Chinese stocks rallied after the Chinese government announced a broad outlook for economic reform, including opening the financial sector and relaxing restrictions on investment. The government also said it was looking to improve the country’s initial public offering system.

Optimism about growth in China filtered through to European markets as well. Germany’s central bank said in a monthly report that there is a good chance the momentum of Germany’s economy, the engine for growth in Europe, will accelerate in the coming months.

But many investors acknowledged that stocks are rising in an atmosphere of trepidation. Monday’s intraday gains weren’t particularly big, and volume was light, traders said.

“However, perhaps this nervousness is bullish, as market advances never end if there is a growing wall of worry,” said Kent Engelke, chief economic strategist at Capitol Securities Management, with more than $4 billion under management.

Few economic data reports were due Monday. Investors will likely pore over the minutes from the October meeting of the Federal Open Market Committee, the Fed’s policy-making body, on Wednesday. The minutes could offer clues behind the central bank’s thinking on its stimulus efforts. Jobless claims are due Thursday.

Dow component Boeing gained after the company said it received 259 orders and commitments for its new 777X jetliner, with a list value of $95 billion. Boeing claimed it was the largest product launch in commercial-jetliner history.

Fellow Dow member J.P. Morgan Chase rose after saying late Friday that it reached an agreement to pay $4.5 billion to investors seeking to recover losses from mortgage-backed securities sold before the financial crisis.

The yield on the 10-year Treasury note inched lower to 2.675% from 2.710% late Friday.

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