NEW YORK—Stocks rose Monday as hopes for the coming U.S. earnings season overpowered a batch of unsettling headlines from Europe.

The Dow Jones Industrial Average added 32.77 points, or 0.3%, to 12392.69, building on its 1.2% rise in the first week of the new year. The Standard & Poor’s 500-stock index finished up 2.89, or 0.2%, at 1280.70, and the Nasdaq Composite gained 2.34 points, or 0.1%, to 2676.56.

Alcoa was the strongest blue-chip stock, rising 2.9% in the regular session and adding another 2.2% after hours. The company's fourth-quarter results included a prediction for a deficit in the global aluminum supply in 2012. Alcoa's unofficial earnings-season kickoff follows efforts by several bellwether companies to ratchet down Wall Street's earnings expectations.

But European markets finished lower after the leaders of Germany and France on Monday turned up the pressure on Greece and its international creditors, amid building worries that the eurozone's Greek bailout was unraveling. The Stoxx Europe 600 shed 0.4%, and Germany's DAX lost 0.7%. Weak German economic data contributed to the gloom mood. Several European countries are due to hold closely watched bond auctions later in the week.

"I think people are starting to express some hope about the U.S. economy, but 2012 is still a year marked with a lot of uncertainty," said Gary Flam, portfolio manager at Bel Air Investment Advisors. "You've got the U.S. economy right now decoupling not only from Europe but Asia and the emerging economies. The question is how long that can be sustained. Something's got to give."

Auto stocks started the session strong but finished mixed as the Detroit auto show kicked off. Ford Motor rose 0.8% after disclosing plans to begin selling a plug-in, hybrid gasoline-electric version of its redesigned Fusion midsize sedan later this year. General Motors lost 0.4% despite showcasing two youth-targeted Chevrolet concept cars it says look and feel like sports cars but cost around $20,000.
A handful of technology stocks also posted gains after Reuters reported that Brocade Communications, which makes switches and software to connect corporate servers and data-storage systems, has received first-round bids from potential buyers. Brocade added 6.5%. Peer Juniper Networks was one of the top stocks in the S&P 500, rising 5.4%.

Asian exchanges were mixed. China’s Shanghai Composite surged 2.9% after Chinese Premier Wen Jiabao indicated over the weekend that the stock market should be supported, while South Korea’s Kospi Composite lost 0.9%.

Crude-oil futures lost 25 cents lower to settle at $101.31 a barrel, the third straight loss. Gold also lost ground, finishing 0.5% lower at $1,607.50 a troy ounce. The dollar lost ground against the euro and the yen.

CareFusion was the weakest stock in the S&P 500, shedding 8.7% after saying its fiscal-second-quarter results were likely to disappoint analyst forecasts.

Several stocks in the pharmaceutical industry traded actively. Bristol-Myers Squibb agreed to buy hepatitis-C drug developer Inhibitex for about $2.5 billion, triggering a 140% surge in the takeover target’s stock. Bristol-Myers lost 0.9%.

GlaxoSmithKline’s American depository shares fell 3.9% after analysts described as mixed a set of Phase III studies on its closely watched lung drug Relovair.

Idenix Pharmaceuticals ran up 37% after the biopharmaceutical company announced positive interim results from a clinical trial of its hepatitis-C treatment.

Zynga, the recent closely watched social-media initial public offering, hit a fresh low and finished down 9.2%.

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