S&P 500 Notches Another Record; Dow Just Misses

Economic Reports Give Reason for Optimism on Growth

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Wednesday, with the S&P 500 notching another record close and the Dow industrials falling just short of an all-time high.

The S&P 500 index added 5.38 points, or 0.3%, to 1890.90, marking its second consecutive all-time closing high and its eighth so far this year.

The Dow Jones Industrial Average advanced 40.39 points, or 0.2%, to 16573.00, its highest close this year. The average ended the session less than 0.1% shy of its Dec. 31 record high of 16576.66.

The Nasdaq Composite Index edged up 8.42 points, or 0.2%, to 4276.46.

Stocks rose after a pair of economic reports gave investors more reason for optimism about U.S.
growth. On Wednesday morning, a report on the labor market was nearly in line with forecasts and factory orders were stronger than expected. Recent data have helped boost investor confidence that a string of disappointing reports on the U.S. economy earlier this year were the result of an unusually icy winter, rather than an underlying slowdown.

"There has been this worry that [economic] numbers might disappoint," said Stephen Auth, chief investment officer of equities for Federated Investors, which manages $376 billion. "The risk has been that if we didn't get improvement, you'd see markets pull back. But generally, the tone of the numbers have been as expected, or slightly better," he said.

But the S&P 500's latest advance into record territory has been a grinding one. The index is up 2.3% so far this year, a marked slowdown from last year, when the index notched a 10% rise in the first quarter alone, and tacked on an additional 20% over the rest of the year.

"The economy is getting ready to pick up," said David Donabedian, chief investment officer of Atlantic Trust, which manages $24 billion. "But the other side of that message is, that is just a forecast. It had better pick up, because we're running out of catalysts" for strong gains.

Stocks are looking pricier, so "there aren't a lot of table-pounding buys," he said. The S&P 500 is trading at 15.5 times its estimated earnings for the next year, above its 10-year average of 13.9. So Atlantic Trust is sending more money to stock-picking fund managers and hedge funds that bet on single-stock declines and gains.

The gains in stocks came alongside a decline in Treasury bonds, which are often seen as a safe-haven investment. The yield on the 10-year note rose to 2.801% from its 2.757% level late Tuesday.

Federated's Mr. Auth said it is notable that stocks have made further gains despite the turmoil in emerging markets early in the year, concerns about China's growth and financial system, and weak economic data in the U.S.

"It is kind of amazing that we've been through this difficult period, and here we are today, posting an all-time high in the S&P," said Mr. Auth.

Federated remains bullish on U.S. stocks, he said,
and expects the S&P 500 to mark a rise of more than 10% from current levels to end the year at 2100. In recent weeks, Federated has gotten incrementally more positive on emerging markets, and international markets are "starting to look interesting," he said. But he said that if stocks remain near record levels and U.S. economic data start to come in stronger than expected, U.S. stock benchmarks could make a sharp move higher.

Gold futures gained 0.9% to $1,290.50 a troy ounce, after falling for a fifth-straight session Tuesday to settle at a seven-week low. Crude-oil futures fell 0.1% to $99.62 a barrel.

The dollar edged higher against the euro and the yen.

In Europe, the Stoxx Europe 600 tacked on 0.2%, after rising 3.7% in a six-session win streak through Tuesday. Data showing producer prices for February fell on the month, versus expectations of an unchanged reading, stoked some hopes for further stimulus when the European Central Bank meets on Thursday. Germany's DAX 30 index rose 0.2%, France's CAC 40 ticked up 0.1% and the U.K.'s FTSE 100 added 0.1%.

Asian markets were broadly higher. Japan's Nikkei Stock Average rallied 1% to a three-week high, while China's Shanghai Composite gained 0.6%.

In corporate news, Apple edged up 0.2% after The Wall Street Journal reported that the company was in talks to buy Japan's Renesas SP Drivers, which makes power-saving smartphone chips, for as much as $1 billion. Goldman Sachs tacked on 0.8% after The Wall Street Journal reported it is close to selling a trading business based on the floor of the New York Stock Exchange, formerly known as Spear, Leeds & Kellogg, to Dutch firm IMC Financial Markets. The companies are discussing a price of as much as $30 million, the report said, which is a fraction of the $6.5 billion Goldman paid for the business in 2000.
MannKind rallied 74% after a Food and Drug Administration committee recommended approval of the company's inhaled therapy for diabetes.

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