U.S. Stocks Surged the Most This Week Since October as the Federal Reserve Sparked a Three-Day Rally That Nearly Wiped Out Two Weeks of Equity Market Pain.

The Standard & Poor's 500 Index (SPX) jumped 3.4 percent in the five days, bringing some calm to the market after a seven-day slump erased about $1 trillion of equity value amid sinking crude prices and a worsening of the financial crisis in Russia.

The MSCI All-Country World Index rallied 2.3 percent for its best week since October. Energy shares in the S&P 500 climbed 9.7...
percent, the most in three years. Commodity producers gave Europe its best gain of the year and sent Canada’s benchmark index to the biggest rally since 2009. The options gauge known as the VIX (VIX) sank 30 percent in the three days following the Fed meeting after having doubled in the previous seven days.

Equities rallied around the world after the central bank said it will be patient on the timing of a rate increase even as U.S. growth shows signs of accelerating. Chair Janet Yellen said any spillover from the situation in Russia is likely to be small, while the central bank’s policy statement didn’t mention turmoil sparked by tumbling oil prices.

“There was a sigh of relief as the contagion fear was vastly overblown and people came back to their senses,” Marshall Front, chief investment officer at Front Barnett Associates LLC, said by phone from Chicago. “The market is refocusing on profits and where the economy is going next year and that’s why the
Fed’s comments were so supportive.”

**Equity Rebound**

The S&P 500 fell 5 percent over seven days from a record on Dec. 5, as crude prices plunged to five-year lows and the ruble sank to an all-time low even after Russia’s central bank unexpectedly boosted borrowing rates. U.S. crude rallied 4.5 percent on Dec. 19 to pare a weekly slide to 2.2 percent.

The U.S. equities gauge jumped 5 percent in the three days after the Fed statement, the most since 2011. Equity gains during the week’s final session erased the index’s loss this month, and left it 5 points below a record of 2,075.37 reached Dec. 5. The S&P 500 has advanced in each of the past six Decembers.

“This week, it was all about the Fed, oil prices and an economy that is not at all approaching anything like a recession,” Randy Bateman, the chief investment officer of Huntington Asset Advisors, which manages about $3.4 billion in the funds, said by phone. “Inflation
seems benign still and it’s a Goldilocks market. The opportunity was set for the Fed to deliver and the market just exploded.”

**Data Watch**

Data during the week showed the cost of living in the U.S. dropped 0.3 percent, the most since December 2008, damped by energy prices. A separate report indicated industrial production jumped 1.3 percent in November as output of *consumer goods*, including autos, electronics and energy, surged by the most in 16 years.

U.S. stocks are on the verge of completing the fifth *recovery* this year from a decline of 4 percent or more, just 14 days after it started. In comparable drops beginning in January, April, July and September, the index needed about a month to erase losses, data compiled by Bloomberg show.

“It’s been very heartening to see this bounce back,” *John Carey*, a Boston-based *fund manager* at Pioneer Investment Management,
which oversees about $230 billion, said in a phone interview. “That kind of pattern is consistent with a **bull market** where you have an underlying upward trend because of earnings growth, underlying momentum and then some setbacks.”

**Bull Market**

American equities have almost tripled during the 5 1/2 year bull market driven by the central bank’s three rounds of bond buying to stimulate the economy and borrowing costs near zero.

The Stoxx Europe 600 Index posted its fifth weekly advance in six, ending the period with a four-day rally. The gauge surged 3 percent for its best gain since December 2013.

Oil-and-gas producers rallied 7.7 percent in the week, the most since December 2011.

Canadian energy producers catapulted 13 percent higher, the most since 2009, to lead the benchmark S&P/TSX Index to its best week in more than five years.
In Asia, the Shanghai Composite Index (SHCOMP) climbed 5.8 percent to close at a four-year high. Japan’s Topix Index was little changed after the Bank of Japan maintained unprecedented stimulus, as Governor Haruhiko Kuroda’s bid to stoke inflation faces increasing challenges from the tumble in oil prices.

**Volatility Gauge**

The rebound in U.S. stocks began after a measure of investor anxiety surged to levels not seen since the financial crisis. For five days through Dec. 16, the Chicago Board Options Exchange Volatility Index closed 20 percent above two-standard deviations of its average price in the past four weeks, data compiled by Sundial Capital Research Inc. show. That’s the longest stretch since October 2008.

The VIX fell 22 percent in the week to 16.49, the most since October.

The Dow Jones Industrial Average (INDU)
rallied 2.4 percent the day after the Fed decision, adding 421 points in its best day in three years. That helped push the 30-stock gauge to a rally of 523.97 points, or 3 percent, in the week.

All 10 main groups in the S&P 500 advanced more than 1.6 percent. Energy shares surged 9.7 percent, more than four percentage points higher than the 5 percent increase for raw-materials companies, which had the second-best performance.

**Energy Rally**

Nabors Industries Ltd., Noble Corp. and Denbury Resources Inc., which tumbled more than 11 percent for some of the worst losses in the previous week, gained the most in the S&P 500 during the latest five days, jumping at least 28 percent.

Exxon Mobil Corp. (XOM) and Chevron Corp. climbed 8.1 percent and 10 percent, respectively, for the week’s biggest gains in the Dow. The two companies dropped more than...
7.7 percent in the previous week.

Oracle Corp. (ORCL) shares rose 15 percent, the most in 12 years, as efforts to push deeper into Web-based cloud computing helped fuel fiscal second-quarter profit and sales that surpassed analysts’ estimates.

Boeing Co., 3M Co. and CVS Health Corp. added at least 4.5 percent as each one increased their quarterly dividend. Boeing and CVS announced stock buyback plans.

FedEx Corp. dropped 0.9 percent after reporting a lower quarterly benefit from declining fuel prices than some analysts expected and failing to boost its full-year profit outlook.

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