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US Stocks Up For Second Straight Day; Financials Gain

By Rob Curran

NEW YORK (MarketWatch) -- U.S. stocks eked out their first back-to-back gains since February as JPMorgan Chase Chief Executive Jamie Dimon became the latest to express confidence in his institution's profitability and to downplay nationalization fears.

Skeptics saw signs of weakness in the skittishness of the market, and particularly the banking sector. Indeed, stocks vacillated between the black and the red for much of the session Wednesday with bank rallies building and waning. Citigroup came off a large rally Tuesday, closing the session up 9 cents, or 6%, to $1.54.

Goldman Sachs raised its investment rating on New York financial services firm Morgan Stanley to buy from neutral, sending shares up 1.67, or 8%, to 22.51, and U.S. Bancorp to neutral from sell, with shares rising 1.02, or 9%, to 12.42.

At the close, the Dow Jones Industrial Average closed up 3.91, or 0.06%, to 6930.40. The broader Standard & Poor's 500 gained 1.76, or 0.24%, to 721.36. That came after Tuesday marked the best gains for the Dow and Standard & Poor's 500 since November.

Meanwhile, as technology stocks showed strength during the session, the Nasdaq tacked on 13.36, or 0.98% to 1371.64.

The last time the Nasdaq had two straight up days was Feb. 11 and 12. Still, financial names remained in focus as Dimon said his bank was profitable in January and February, adding he didn't think any bank should be nationalized. Shares of JPMorgan rose 90 cents, or 4.6%, to 20.40.

Despite similar reassurances from executives at Citigroup and Bank of America, investors are still concerned about the ultimate fate of banks laden with "toxic assets" on their balance sheets.

"**So far we've [mostly] seen the degradation of asset values in housing and derivatives of housing, but you still have corporate credits deteriorating, commercial-mortgage credits are still deteriorating," said Daniel Alpert, a founder of boutique investment bank Westwood Capital.**

Generally, business loans and mortgages take longer to fall into default than consumer loans but many are likely headed that direction, Alpert said. For example, occupancy rates and prices in hotels have just recently begun to "tank," he said, likely bringing some hotel companies into distress, he said. Banks will feel that distress because of large exposure to commercial mortgages and corporate bonds, he said.

But there were signs Wall Street may be getting its appetite for risk back, as evidenced by the retreat of safe havens like gold, and the resurfacing of bullish factoids.

An email pinged around trading desks claiming Tuesday's close on the S&P 500 at 719.6 was the first time in 27 years the index had closed at a new low one day, then rallied enough the next to wipe out the previous five-session deficit. Naturally, "the 1982 instance marked the end of that bear market."

This statement, of course, was only slightly more scientific than the email that went around in late October, proclaiming the lows were based on a chart of lunar cycles.

Ford Motor rose 11 cents, or 6%, to 1.96, after the automobile maker said it will lower labor costs and trim benefits in worker pay packages, saving the company $500 million annually, according to details from its new union deal.

Alcoa, which had gained about 14% in Tuesday's session, gave back 36 cents, or 5.9%, to 5.76, and was the worst performer of the Dow components. In an interview late Tuesday, Chief Executive Klaus Kleinfeld said he wouldn't rule out any means of raising cash - including selling a stake in the aluminum giant to another company - as Alcoa positions itself to weather the current downturn.

While financial names remained in the spotlight Wednesday, technology firms fared well. Among them were Hewlett-Packard, which added 1.57, or 5.8%, to 28.61, after the Palo Alto, Calif., computer company was upgraded to buy from neutral by UBS, who said sentiment was too bearish on the company.

Chandler, Ariz., chip maker Microchip Technology rose 75 cents, or 4%, to 19.67, after it issued a fiscal fourth-quarter view above analysts' estimates.

Consumer discretionary names also finished strong, led by Cincinnati department store retailer Macy's, which tacked on 54 cents, or 7.4%, to 7.85, and New York handbag company Coach, which rose 84 cents, or 6.4%, to 13.99.