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Wall Street rallies almost 11pc

US stocks surged and recovered some of October's deep losses, led by beaten-down energy and financial stocks amid hopes of an interest-rate cut from the Federal Reserve and as credit markets continued to loosen.

By Rob

Traders said the rally bore the hallmarks of a bear-market bounce - sharp reversals such as the record 936-point gain for the Dow on October 13 that were driven, at least in part, by repurchasing of shares borrowed short. When the market turns after heavy selling, hordes of traders are forced into the market to cover bets against stocks. The likelihood of imminent rate cuts from the Federal Reserve tomorrow (AEDT) and other central banks in the near future also lent a bullish tone to the market.

"Anything at this point is going to be pushing the market around," said one trader at a Boston money manager. The Dow Jones Industrial Average surged 889.35 points, or 10.88 per cent, to 9065.12, its second-biggest point gain ever, and its highest close since October 20. Still, the Dow remains off 16 per cent for October. The broad Standard & Poor's 500 index rose 91.59 points, or 10.79 per cent, to 940.51. The technology-oriented Nasdaq Composite rose 143.57 points, or 9.53 per cent, to 1649.47.

After bouncing around at the open, stocks retreated after the Conference Board's October consumer confidence index showed the worst reading of its existence. To some, the consumer confidence reading was a sign of likely trouble for the US economy and stock market in the months ahead.

Much of the growth in the US economy in the past 10 years derived from borrowed money spent by consumers and often secured by the housing market, said Daniel Alpert, managing partner at boutique investment bank Westwood Capital. As that borrowing slows down, "it's 'bye-bye' consumption," Mr Alpert said.

Buying picked up in late in the session in the wake of reports of improvements in the commercial-paper market, where corporations go for short-term funding.

"People use this money to pay payrolls, to buy equipment, and for all sorts of overhead they can't do otherwise," the Boston trader said. Plus, the yen carry trade, where hedge funds and other institutions were forced to buy back borrowings in yen, paused as the yen weakened against the US dollar and other currencies. Treasury securities sold off, indicating an increased appetite for risk, and possibly fears that the US bailout plans will stretch the Treasury.

The biggest gainer on the Dow was one of its worst performers during the October rout: aluminium maker Alcoa, which rose \$US1.74, or 19 per cent, to \$US10.78, but which is still off 54 per cent during the past 30 days.