

Stocks recover after euro rebounds

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NEW YORK (CNNMoney.com) -- U.S. stocks erased losses and finished higher Monday after the euro rebounded from a four-year low and gained ground against the dollar, despite lingering worries about Europe's financial crisis.

The Dow Jones industrial average (INDU) erased its 184-point loss and added 6 points, or 0.1%. The S&P 500 (SPX) rose 1 point, or 0.1%, and the Nasdaq composite (COMP) gained 7 points, or 0.3%.

Before posting gains, all three indexes were more than 1% lower but began to trim losses with an hour left in the session.

Earlier on Monday, the euro sank below \$1.23, as debt concerns weighed on investors. But the currency recovered its losses late in the afternoon.

U.S. stocks tumbled Friday, as the Dow lost 1.5%, and S&P 500 and Nasdaq slipped about 2% on a weak euro.

Investors remained concerned about soaring deficits throughout Europe despite the \$1 trillion aid package for Greece and other debt-ridden nations that had triggered a rally in stocks early last week. Despite Friday's decline, the three major indexes ended higher for the week.

Why Europe may kill the U.S. recovery

"Investors are trying to figure out how appropriately a slowdown in the euro zone is priced in," said Art Hogan, chief market strategist at Jefferies & Co.

Hogan expected stocks to move into positive territory as investors digest strong corporate earnings and a steady stream of economic data, which has been overshadowed by Europe's sovereign debt problems.

But the afternoon turnaround was also spurred by bargain hunting, said Kenny Landgraf, founder of Kenjol Capital Management.

"Stocks went down to the lows they saw last week, but didn't break below those technical levels as money came back into the market," Landgraf said.

But stocks will continue on their roller coaster through the summer as Europe manages its fiscal crisis said Clark Capital Management Group Chief Executive Harry Clark. He doesn't expect U.S. markets to begin trending upward until the fall.

Economy: A report from the Federal Reserve Bank of New York showed that manufacturing growth slowed in the region in May. The Empire State Manufacturing Survey's index fell to 19.1 from 31.9 in April. Economists surveyed by Briefing.com expected the index to slip modestly to 30.

The Treasury said China boosted its holdings of U.S. debt in March for the first time in six months, increasing them by 2% to \$895.2 billion. With mounting concerns over European debt and a

strengthening U.S. economy, overall foreign holdings of Treasury securities rose by 3.5% to \$3.88 trillion.

Companies: General Motors posted its first quarterly profit in nearly three years, earning \$865 million on revenue of \$31.5 billion. After emerging from bankruptcy last July, the company has trimmed costs and increased sales thanks to an improving economy and recall troubles at rival Toyota.

Home improvement retailer Lowe's (LOW) posted a profit that rose 2.7% from a year earlier and topped expectations as demand for big-ticket items improved. But the company's forecast for the second quarter came in lower than expectations, and shares of the retailer finished 3% lower.

Bad news for Europe, good news for U.S. tourists

World markets: European stocks finished mixed, with France's CAC 40 down 0.5%, Germany's DAX 0.2% higher and Britain's FTSE 100 lower less than 0.1%.

Asian markets finished the session lower. The decline was led by China, where the Shanghai Composite sank 5.1%. Japan's Nikkei ended 2.2% lower and the Hang Seng in Hong Kong fell 2.1%.

Dollar and commodities: After holding firm against the euro most of the day, the dollar fell 0.3% late in the afternoon. But the greenback was 0.3% higher against the British pound and rose 0.1% versus the Japanese yen.

U.S. light crude oil for June delivery slid \$1.53, or 2.1% to settle at \$70.08 a barrel -- a five-month high.

Gold prices continued to rise, gaining 70 cents, or 0.1%, to settle at \$1,228.50 per ounce.

Bonds: Treasury prices gave up gains Monday afternoon. The price of benchmark 10-year note edged lower, and its yield edged up to 3.49%. Bond prices and yields move in opposite directions.