

# US earnings, European growth hopes lift stocks

PAN PYLAS - AP Business Writer - Associated Press

World stock markets brushed aside a downbeat assessment of the U.S. outlook from Federal Reserve chairman Ben Bernanke and posted solid gains Thursday on the back of strong economic and corporate news.

In Europe, the FTSE 100 index of leading British shares was up 67.31 points, or 1.3 percent, at 5,281.95 while Germany's DAX rose 121.99 points, or 2 percent, to 6,112.37. The CAC-40 in France was 75.76 points, or 2.2 percent, higher at 3,569.98.

And on Wall Street, U.S. stocks more than recouped Wednesday's losses when sentiment was hit by Bernanke's warning that the U.S. economic outlook was "unusually uncertain."

The Dow Jones industrial average was up 177.85 points, or 1.8 percent, at 10,298.38 soon after the open while the broader Standard & Poor's 500 index spiked 19.09 points, or 1.8 percent, at 1,068.68.

The solid opening in the U.S. came after a number of companies reported upbeat earnings despite Bernanke's assessment.

Caterpillar Inc., 3M Co., UPS Inc. and AT&T Inc. all topped earnings forecasts and raised their outlooks for future profit. Only Travelers reported a dip in earnings, but that came as bad weather led to more claims payments.

Stocks were also supported by European surveys indicating that fears of a double-dip recession have been vastly overplayed.

Monthly purchasing managers indices into the eurozone's manufacturing and services sectors — closely watched gauges of business activity — showed the recovery gaining traction.

The July composite index, which incorporates the manufacturing and services figures, rose to 56.6 in July from 55.6 in June. Anything above 50 indicates expansion and the higher the figure the greater the growth.

"July's rise suggests that, for now at least, the region is (perhaps surprisingly) evading the threat of a double-dip apparently facing the U.S.," said Ben May, European economist at Capital Economics.

In fact, the composite index would indicate that the eurozone, supposedly mired in a government debt crisis, may be growing at a quarterly rate of 0.8 percent, way above the average since the euro was established in 1999, May said.

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The data helped the euro rally 1.1 percent on the day at \$1.2890, ahead of Friday's EU bank stress test results — the euro has fluctuated since failing to sustain a break above \$1.30 Wednesday.

Attention is quickly turning towards the results, which are due after Europe's markets close on Friday.

A number of investors remain skeptical about whether they are a credible exercise.

"It is still not clear how comprehensive the results to be published will be, with the fear being that they may consist solely of a 'pass' or 'fail' indication for individual banks rather than anything more substantial," said Brian Kim, an analyst at UBS.

Elsewhere, the pound garnered some support from figures suggesting that the British economy's prospects may not be as bleak as many in the markets have been suggesting — a monthly 0.7 percent increase in retail sales in June was a lot more than anticipated.

The pound was up 0.6 percent at \$1.5266.

Meanwhile, the dollar rose 0.1 percent to 87 yen.

Earlier in Asia, stocks recovered ground as Wall Street futures turned higher.

Japan's Nikkei 225 stock average slipped 0.6 percent to 9,220.82 while South Korea's Kospi fell 0.8 percent to 1,735.53. Australia dropped 0.9 percent to 4,374.70 and markets in Thailand, Indonesia and Malaysia were also lower.

China's Shanghai benchmark index rose 1 percent to 2,562.41 on bargain hunting after several days of losses. Hong Kong's Hang Seng index gained 0.5 percent to 20,589.70.

Benchmark crude for September delivery was up \$1.38 to \$77.94 a barrel in electronic trading on the New York Mercantile Exchange.

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Associated Press Writer Alex Kennedy in Singapore contributed to this report.

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