

# Stocks close higher on hopes for earnings, Europe

The Associated Press

U.S. stocks rose solidly Tuesday after European markets rallied and corporate bellwether Alcoa predicted stronger demand in 2012. The Standard & Poor's 500 index closed at its highest level since July.

European markets soared after Fitch Ratings said that it will not downgrade France's credit rating this year. France's CAC-40 index closed 2.7 percent higher; Germany's DAX rose 2.4 percent.

A downgrade for France could scuttle the region's efforts to stem its debt crisis. Europe's bailout fund needs France and Germany to keep their sterling credit ratings so it can borrow at affordable rates.

Kicking off U.S. corporate earnings season, aluminum maker Alcoa said late Monday that its fourth-quarter revenue far outpaced analysts' projections. CEO Klaus Kleinfeld predicted that global aluminum demand will increase 7 percent in 2012. Aluminum demand offers clues about for broader economic trends because so many industries rely on the metal.

Many analysts had feared weaker corporate profits in the fourth quarter because of Europe's deepening economic troubles and slower growth in the developing world. The solid report from Alcoa seemed to quell those concerns and lifted traders' hopes for strong corporate earnings reports in the coming weeks.

The S&P 500 index rose 11.38 points, or 0.9 percent, to 1,292.08. All 10 of its industry groups rose. Among the biggest gainers were materials companies such as Alcoa, which benefit from rising prices for metals, energy and other commodities.

Food commodities mostly edged lower, but orange juice futures shot up 11 percent. The Food and Drug Administration said it would increase testing for a fungicide that was found in low levels in orange juice.

Tiffany & Co. plunged 10 percent, the most in the S&P 500 index. The jewelry retailer cut its forecast for full-year profit and said sales grew slowly in the U.S. and Europe during the holiday season.

The Dow Jones industrial average rose 69.78 points, or 0.6 percent, to 12,462.47. The Nasdaq composite index gained 25.94, or 1 percent, to 2,702.50.

Hedge fund manager Peter Tchir said recent market swings exaggerate the importance of minor news such as Alcoa's guidance and the Fitch announcement. The indexes are vulnerable to steep swings because relatively few shares are

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changing hands, he said.

Tchir is focused squarely on Europe's fundamental problem, which remains unresolved: Sky-high borrowing costs for indebted nations such as Italy and Spain. A default by one of them could upend the global economy. Italy's benchmark 10-year bond yield remains dangerously high at 7.10 percent.

Despite Europe's troubles, the U.S. economy appears to have strengthened in recent weeks. A series of positive reports on hiring, manufacturing and consumer sentiment eased fears that Europe will drag the U.S. into another recession.

Traders hope the brighter economic outlook will mean U.S. corporate earnings results, which will be announced over the next few weeks. Improvements in the job market and more spending by consumers would increase companies' sales. Household spending is the main engine of economic growth.

Corporate news in Europe reflected the region's descent into near-inevitable recession. Dutch electronics giant Royal Philips Electronics NV kicked off the European earnings season by announcing that its fourth-quarter profits will be worse than expected as a result of Europe's economic weakness.

Among the U.S. companies making big moves:

— Yoga apparel chain Lululemon Athletica Inc. surged 12 percent after the company raised its fiscal fourth-quarter earnings and revenue forecast, citing better-than-expected sales of its athletic wear.

— WebMD Health Corp. plunged 29 percent. The healthcare information website said it has given up looking for a buyer, its CEO has resigned, and it expects earnings to drop this year. WebMD provides health and benefits information to employees at 121 companies and health plans.

— Cirrus Logic Inc., which supplies audio chips to Apple and other electronics companies, jumped 16 percent. The company said it expects to report fourth-quarter revenue that is well above its previous forecast and analysts' expectations.

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