



U.S. stocks surge on news from Federal Reserve

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The Dow Jones industrial average had its biggest surge in three years Thursday, rising sharply for a second day. The Federal Reserve set off the rally a day earlier by indicating that it was in no hurry to raise interest rates.

The gains were led by technology stocks as Oracle soared following better-than-expected earnings. Industrial and health care stocks also logged big gains. Even the energy sector advanced, despite another drop in the price of oil.

Fed Chair Janet Yellen said Wednesday that she foresaw no rate hike in the first quarter of 2015. The comments eased concerns that policymakers would start raising interest rates at a time when growth outside the U.S. appears to be flagging. They also helped investors look past worries about the impact of a slumping oil price and turmoil in Russia, where the currency has slumped.

“What we’re seeing is a move back to fundamentals,” said Karyn Cavanaugh, a senior market strategist at Voya Investment Management. “Earnings continue to be good ... the U.S. economy is continuing to do well.”

It’s the first time in maybe 20 to 30 years that central banks around the world, including Japan, Europe and the United States, are realizing that inflation is not the enemy, but it could be deflation, said Fred Russell, principal of Fredric E. Russell Investment Management Co. in Tulsa.

Governments are very serious about making sure that business goes on, that there is demand for products and that people want to start businesses.

“To encourage that, they have to keep interest rates low, and they know they can keep them low ... because there is so much excess capacity in the world,” Russell said. “They know they can keep them low without causing inflation.”

“So many people had anticipated the Federal Reserve would be punitive or harsh when it came to interest rates in 2015. I think what the Federal Reserve is saying is our forecasts

are subject to a lot of error and we have yet to see an economy strong enough to warrant raising interest rates right at this time,” Russell said.

The economy is too fragile to sustain higher interest rates, and therefore rates are going to stay low at least for several months, and investors love low interest rates, Russell said.

He noted that investors shouldn't change their long-term investment strategy or allocation just because of how the stock market reacted on Thursday.

The Standard & Poor's 500 index rose 48.34 points, or 2.4 percent, to 2,061.23. The Dow Jones industrial average gained 421.28 points, also 2.4 percent, to 17,778.15. The Nasdaq Composite gained 104.08 points, or 2.2 percent, to 4,748.40.

Oracle was the biggest gainer in the S&P 500 index after it reported earnings late Wednesday that beat the expectations of Wall Street analysts. The company said its software and cloud revenue grew 5 percent. The stock rose \$4.19, or 10.2 percent, to \$45.35. The company's advance helped push up the tech sector 3 percent.

Investors are betting that as the economy improves and unemployment continues to fall, companies will start to invest in technology to boost productivity.

“Oracle has been out of favor for some time, and it's probably about time it gets back in favor,” said Jerry Braakman, chief investment officer of First American Trust.

Stocks rose sharply Thursday even as oil resumed its slide.

The price of oil fell \$2.36 to close at \$54.11 a barrel, after rising as high as \$58.71 in morning trading. Oil has plunged since June, when it peaked at \$107 a barrel. Overproduction and weak demand are behind the fall in global oil prices. Brent crude, a benchmark for international oil, fell \$1.91 to close at \$59.27 in London.

A rapid descent in oil prices was the catalyst for big losses on the stock market a week earlier. While falling oil prices are good for consumers, putting more money in their pockets by cutting gas prices, they are bad for energy companies. Oil has fallen almost 50 percent from a peak of \$107 a barrel in June.

U.S. government bond prices fell. The yield on the benchmark 10-year government Treasury note climbed to 2.21 percent from 2.14 percent a day earlier.

The Associated Press and World Business Writer Laurie Winslow contributed to this report.



Big Day on Wall Street

Traders work on the floor at the New York Stock Exchange in New York, Thursday, Dec. 18, 2014. The market is opening sharply higher, building on gains from the day before after the Federal Reserve indicated it was in no rush to raise interest rates. (AP Photo/Seth Wenig)