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Dow Retakes 8000

Small Friday Gains Cap Strong Week for Stocks

By PETER A. MCKAY



Stocks capped a week of strong gains with a small advance Friday despite a dismal employment report.

The Dow Jones Industrial Average rose 39.51 points, or 0.5%, to 8017.59. Its financial and technology components were strong. The measure has now risen for four straight weeks.

The Journal Report

The S&P 500 rose 8.12 points, or 1%, to 842.50. The Nasdaq Composite Index rose 19.24 points, or 1.2%, to 1621.87 amid a surge in shares of Research In Motion, which jumped 21% after a strong earnings report.

Traders noted much of the tech sector's recent gains have flowed from the retail investors returning to stocks amid the market's recent strength.

"Investors are still heavily in cash and the challenge they are facing is how to scale back into growth-oriented investments. For that reason, technology leadership is not surprising given many are flush with cash and little debt," said David Kreinces, a portfolio manager with ETF Portfolio Management.

All three major market averages are up more than 20% from their bear-market lows hit in early March. In a sign that investors are less averse to risk, Treasury prices dropped, pushing the yield on the 10-year note back toward 3%. Gold slipped under \$900 an ounce. The Chicago Board Options Exchange Volatility Index, a popular gauge of investor anxiety, sank 5.6% to fall under the 40 mark. The dollar climbed above 100 yen.

The market's recent show of strength faces a major test beginning next week, when the first-quarter profit report due from aluminum maker Alcoa will mark the symbolic start of earnings season. Wall Street expects earnings at S&P 500 companies will show a decline of about 37%, the eighth straight quarter of shrinking profits, according to the research firm Thomson Reuters.

But after two more negative periods in the middle of the year, Wall Street is expecting S&P 500 profits to nearly triple in the fourth quarter. That performance may not be as far-fetched as it seems because the year-end period's results will face a relatively easy comparison to the fourth quarter of 2008, said Ashwani Kaul, research director at Thomson Reuters. Still, earnings estimates have been lowered repeatedly in recent quarters in the lead-up to actual reports.

"You may see expectations shift a little bit before we get closer to that earnings season, but I think you'll see a good number any way you cut it," said Mr. Kaul.

Rattling investors somewhat after a wave of more upbeat data in recent weeks, the Labor Department said that nonfarm payrolls shed 663,000 jobs in March. January data were revised to show a steeper loss of 741,000. The U.S. economy has shed 5.1 million jobs since the recession began in December 2007.

The unemployment rate jumped 0.4 percentage point to 8.5%, the highest since November 1983. The report was roughly in line with Wall Street expectations.

Wall Street will focus on reports for the first quarter, kicking off with Alcoa, and may see some recent optimism tempered. Stacey Delo reports.

A weaker-than-expected reading of service-sector activity underlined that the broader economy remains in poor condition.

In a note to clients on Friday, Michael Darda, chief economist at MKM Partners in Greenwich, Conn., urged clients to begin positioning their portfolios for an economic rebound beginning in the second half of 2009, even though he believes the job market may not improve until the following year.

Malcolm Polley, chief investment officer at Stewart Capital Advisors in Pittsburgh, said he has increased exposure in basic-materials names and other sectors that he views as relatively low risk. "We just don't think that the sectors that led us in the last couple of bull markets -- financials and technology -- are going to lead us out of the current bear," said Mr. Polley.

Some money managers are bracing for the possibility that an eventual recovery in the economy might cause its own share of pain in the form of inflation, which often accompanies expansions. Some investors worry that inflation could be exaggerated by government stimulus and rescue efforts.

Executives at James Investment Research, a portfolio-management firm in Alpha, Ohio, said they're holding their stock portfolio steady for now, to ride out what they view as a bear-market bounce. The firm has also been adding foreign government bonds -- including Japan's and Germany's -- that it now views as safer investments than U.S. Treasuries .

—*Geoffrey Rogow contributed to this article*