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Stocks rise on upbeat earnings reports

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NEW YORK -

Better-than-expected earnings at Intel sent investors pouring back into the market Wednesday, sending stocks higher in morning trading.

Chipmaker Intel Corp.'s report after the market closed Tuesday lifted investor confidence because its sales figures suggest consumers are purchasing computers at a faster rate than anticipated, a potential sign the economy is recovering.

Consumer spending accounts for more than two-thirds of economic activity. Increased spending by consumers is widely seen as a key to an economic recovery.

Just as important as quarterly results, Intel's third-quarter sales prediction was bigger than analysts' forecast, a further indication that the chipmaker believes the personal computer market has bottomed and a recovery is under way.

In another sign the recession is easing, a new report showed industrial companies cut back production again in June, but not nearly as much as they have been in previous months.

The Federal Reserve said production at the nation's factories, mines and utilities fell 0.4 percent last month, after declining 1.2 percent in May.

Investors "want to see consumer demand coming back and inventories being reloaded," John Lekas, senior portfolio manager at Leader Capital in Portland, Ore. Intel's second-quarter sales results and third-quarter forecast provide evidence of that demand, he added.

"This is the first step toward recovery," Lekas said. However, Lekas cautioned that a recovery is likely to be slow as earnings reports overall are likely to be mixed, and companies still have to work on restructuring balance sheets and reducing costs.

The Dow Jones industrial average rose 124.39, or 1.5 percent, to 8,483.88. The Standard & Poor's 500 index rose 13.07, or 1.4 percent, to 918.91, while the tech-heavy Nasdaq composite index gained 35.39, or 2 percent, to 1,835.12.

Advancing issues outnumbered decliners by about 7 to 1 on the New York Stock Exchange, where volume came to 108.8 million shares, compared to 109.2 million traded at the same point Tuesday.

Investors were little swayed by a Labor Department report Wednesday that showed consumer prices rose 0.7 percent in June, its fastest pace in 11 months as gasoline costs surged. Economists were predicting a rise of 0.6 percent after a 0.1 percent gain in May.

The Consumer Price Index, which measures the cost to consumers of buying goods, is a key measure of inflation.

The report helped push Treasury bond prices slightly lower and yields up. The bond market is sensitive to signs of inflation, which can depress the value of outstanding bonds.

The yield on the benchmark 10-year Treasury note, which moves opposite its price, rose to 3.55 percent, from 3.47 percent late Tuesday. The yield on the three-month T-bill, considered one of the safest investments, rose to 0.19 percent from 0.17 percent late Tuesday.

Intel's upbeat report followed strong earnings earlier Tuesday from Goldman Sachs Group Inc. Goldman kicked off earnings in the banking sector by easily topping analysts' earnings predictions. The Wall Street banking giant said it earned \$2.72 billion, after paying preferred dividends, only two quarters after posting a steep loss during the peak of the credit crisis.

Investors will now set their sights on three other major banks - JPMorgan Chase & Co., Bank of America Corp. and Citigroup Inc. - reporting

second-quarter results later in the week to see if the broader sector is actually recovering from the malaise that beset the sector late last year.

JPMorgan Chase, Bank of America and Citigroup all have strong retail banking operations, unlike Goldman, that could pose problems as loan defaults continue to rise. Moderation in loan defaults could be a sign the economy is strengthening as customers are better able to repay loans.

Investors are getting a fresh round of earnings reports Wednesday.

Abbott Laboratories, a drug and medical-device company Abbott Laboratories said its profit fell 3 percent, but earnings met expectations. Its third-quarter forecast was mostly in line with analysts' predictions.

American Airlines parent AMR Corp. reported a quarterly loss amid a drop in air travel. But, the loss was smaller than analysts expected.

Meanwhile, the dollar fell against other major currencies Wednesday, while gold prices rose.

Oil prices rose \$1.19 to \$60.71 per barrel on the New York Mercantile Exchange.

Commodities stocks gained as the dollar weakened and commodity prices rose.

The Russell 2000 index of smaller companies was 9.92, or 2 percent, to 506.44.

Overseas, Japan's Nikkei stock average rose 0.1 percent. In afternoon trading, Britain's FTSE 100 gained 1.7 percent, Germany's DAX index rose 1.9 percent, and France's CAC-40 gained 2 percent.

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