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U.S. Markets Wrap: S&P 500 Caps Biggest 10-Day Gain Since 1938
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By Lynn Thomasson and Adam Haigh



March 23 (Bloomberg) -- U.S. stocks rallied, capping the market's steepest two-week gain since 1938, as investors speculated the Obama administration's plan to rid banks of toxic assets will spur growth and investor [Mark Mobius](#) said a new bull market has begun. Treasuries and the dollar fell.

[Bank of America Corp.](#) and [Citigroup Inc.](#)

both soared at least 19 percent as the U.S. Treasury said it will finance as much as \$1 trillion in purchases of distressed assets. Exxon Mobil Corp. and Chevron Corp. jumped more than 6.7 percent after oil rose to an almost four-month high. The [Standard & Poor's 500 Index](#) extended its rebound from a 12-year closing low on March 9 to 22 percent as all 10 of its main industry groups advanced.

"You have to be careful not to miss the opportunity," said Mobius, who helps oversee about \$20 billion of emerging-market assets as executive chairman at San Mateo, California-based Templeton Asset Management Ltd. "With all the negative news, there is a tendency to hold back," he said in a Bloomberg Television interview from Hong Kong.

The [S&P 500](#) gained 7.1 percent to 822.92, its biggest increase since Oct. 28. The Dow Jones Industrial Average jumped 497.48 points, or 6.8 percent, to a five-week high of 7,775.86. [The MSCI World Index](#) climbed for the ninth time in 10 days, adding 5.4 percent. Twenty-one stocks rose for each that fell on the New York Stock Exchange, the broadest rally since at least July 2004.

Public-Private Investment Program

The Treasury's Public-Private Investment Program will use \$75 billion to \$100 billion from the \$700 billion Troubled Asset Relief Program enacted last year, giving the government "purchasing power" of \$500 billion. The Treasury said the program may double "over time."

Benchmark indexes extended gains in early trading after an industry report showed home sales unexpectedly increased in February.

The MSCI World, a gauge of 23 developed nations, has added almost 21 percent since March 9 as [Citigroup](#), [Bank of America](#) and [JPMorgan Chase & Co.](#) said they made money in the first two months of 2009 and the Federal Reserve agreed to buy \$300 billion of government bonds to combat the financial crisis.



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The [MSCI Emerging Markets Index](#) of 23 developing nations gained 5.1 percent today, erasing its 2009 drop. Mobius, who was voted among the “Top Ten Money Managers of the 20th Century” by the Carson Group, said emerging markets are in “better shape” than developed economies.

‘Helluva Rally’

“This is a helluva rally,” [Myles Zyblock](#), the Toronto-based chief institutional strategist for RBC Capital Markets, said in a note to investors. The U.S. stock market has moved “through the 50-day moving average and then the 800 area like a hot knife through butter.”

Bank of America, the largest U.S. lender by assets, surged 26 percent to \$7.80. [Citigroup](#), whose biggest shareholder may soon be U.S. taxpayers, soared 19 percent to \$3.13. [JPMorgan](#) added 25 percent to \$28.86. The three banks led gains in all 30 Dow average companies.

[Deutsche Bank](#) AG, Germany’s largest bank, rose 8.5 percent to 30.70 euros. Mitsubishi UFJ Financial Group Inc., Japan’s biggest publicly traded bank, advanced 4.7 percent to 512 yen.

Treasury Secretary [Timothy Geithner](#) has crafted an approach to spur investment funds to purchase the illiquid securities and loans that have caused credit to dry up. Because the program depends on private investors, it may be months before it’s clear if it will work. The plan relies on Federal Reserve financing and Federal Deposit Insurance Corp. debt guarantees.

‘Very, Very Positive’

“With the government taking most of the downside, that is basically what’s going to entice bids,” [Jeremy Siegel](#), finance professor at the University of Pennsylvania’s Wharton School of Business, told Bloomberg Television. “This is a very, very positive thing for the credit markets.”

The S&P 500 Financials Index of banks, insurers and investment firms has surged 58 percent from its March 6 low including an 18 percent rally today, its steepest since Nov. 24.

Treasury 10-year notes fell, driving yields higher, following Geithner’s plan. The U.S. prepared to sell \$98 billion of two-, five- and seven-year notes this week.

“Stocks are up and tomorrow starts a big supply week,” said [Raymond Remy](#), who heads fixed income at Daiwa Securities America Inc. in New York, one of the 16 primary dealers that trade with the Federal Reserve. “Treasuries are under pressure.”

Yields Rise

The [yield](#) on the 10-year note rose four basis points, or 0.04 percentage point, to 2.67 percent at 3:55 p.m. in New York, according to BGCantor Market Data. The 2.75 percent security due in February 2019 fell 11/32, or \$2.19 per \$1,000 face amount, to 100 22/32.

The yield on the two-year note increased three basis points to 0.89 percent, while the [yield](#) on the five-year note advanced five basis points to 1.69 percent.

The yen and dollar fell against most of their major counterparts on speculation additional U.S. government steps to help banks dispose of toxic assets will reduce demand for the currencies’ safety.

“It looks like it’s a story that speaks more to a recovery in risk appetite,” said [Richard Franulovich](#), a senior currency strategist at Westpac Banking Corp. in New York. “It plays more to the strengths of the Aussie and the kiwi.”

The yen depreciated 1.7 percent to 132.44 per euro at 4:07 p.m. in New York, from 130.29 on March 20. It touched 132.48, the weakest level since Oct. 21. The yen declined 1.2 percent to 97.08 per dollar from 95.94. The dollar lost 0.4 percent to \$1.3642 per euro from \$1.3582. The U.S. currency reached \$1.3738 on March 19, the weakest level since Jan. 9.

Four-Month High

Crude oil rose to the highest in almost four months as the U.S. stock market advanced, signaling that fuel use in the world’s biggest energy-consuming country will rebound.

Oil climbed 3.3 percent after equities increased on speculation that the Obama administration's plan to rid banks of distressed assets will spur growth. Stock and commodity markets extended gains after a report showed that U.S. sales of previously owned homes unexpectedly climbed in February.

"Oil is moving higher with the stock market today on the announcement of a plan to buy toxic assets," said [Adam Sieminski](#), the chief energy economist at Deutsche Bank AG in Washington.

Crude oil for May delivery rose \$1.73 to \$53.80 a barrel at 2:43 p.m. on the New York Mercantile Exchange, the highest settlement since Nov. 28. Prices are up 21 percent this year.

Cattle prices rose to the highest in almost three weeks after a government report showed the supply of U.S. animals is shrinking.

'Losing Money'

Feedlots cut purchases of young cattle by 2.6 percent in February from a year earlier to 1.678 million head, the U.S. Department of Agriculture said March 20, after the close of futures trading in Chicago. Analysts had predicted a 0.7 percent increase. So-called placements dropped as beef demand slowed and high grain costs led to 21 straight months of feedlot losses.

"The trade seemed to be pretty impressed with the placements in the cattle-on-feed report," said [Dennis Smith](#), a senior account executive at Archer Financial Services Inc. in Chicago, referring to purchases of young animals. "There was no reason to want to place large numbers of cattle because everybody is losing money."

Cattle futures for June delivery increased 0.55 cent, or 0.7 percent, to 83.4 cents a pound on the Chicago Mercantile Exchange. Earlier, the price touched 83.825 cents, the highest for the contract since March 4. The contract is down 3.2 percent this year. Feeder-cattle futures for May settlement rose 0.675 cent, or 0.7 percent, to 96.05 cents a pound.

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Last Updated: March 23, 2009 17:15 EDT

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