

Jobs report saves Dow, S&P 500 from losses

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US stocks late in the week after the Labor Department reported the US economy added a solid 223,000 jobs in April and unemployment fell to a seven-year low of 5.4 per cent. *Photo: AP*

US stocks went from famine to feast this week with a mid-week swoon giving way to a big rally following the April jobs report.

The Dow Jones Industrial Average finished the week up 167.05 points (0.93 per cent) at 18,191.11, while the broad-based S&P 500 advanced 7.81 (0.37 per cent) to 2,116.10, less than two points below a record.

The tech-rich Nasdaq Composite Index slipped 1.84 (0.04 per cent) to 5,003.55.

Factors behind the weakness in the first part of the week included lacklustre economic data.

The US trade deficit in March jumped more than 40 per cent to a six-year high, due in part to the strong dollar.

Analysts cited worries about higher oil prices as well as the continued logjam in talks between Greece and its creditors on a package to unlock bailout funds.

Stocks also sold off after US Federal Reserve Chair Janet Yellen characterised US stock market valuations as "quite high" and said they pose "potential dangers" to financial stability.

Analysts said Yellen's comments suggested the Fed is eager to raise ultra-low interest rates despite some disappointing economic data.

"She seems to be hinting that they're going to have to raise rates one way or the other as long as the economy is growing at all," said Chris Low, chief economist at FTN Financial.

But US stocks rallied Thursday and again Friday after the Labor Department reported the US economy added a solid 223,000 jobs in April and unemployment fell to a seven-year low of 5.4 per cent.

David Levy, portfolio manager at Kenjoi Capital Management said the jobs figure came in at a "sweet spot" for Wall Street because it suggested the economy had turned a corner after a weak first quarter.

At the same time, the US labour market showed some signs of weakness, with wages barely growing and underemployment still elevated.

That suggested the Fed would not hasten its plan to raise interest rates, Levy said.

"Investors are breathing a sigh of relief," Levy said Friday afternoon.

In corporate news, fast-food chain McDonald's unveiled a long-awaited turnaround plan under new chief executive Steve Easterbrook, who reorganised the company's international operations and announced plans to sell off more company-owned restaurants to franchisees.

But McDonald's shares fell after the plan was released.

In merger news, Alexion Pharmaceuticals announced another big deal in the drug business, saying it would buy Synageva BioPharma for \$US8.4 billion to create a bigger player in treatments for rare diseases.

Alibaba rallied after reporting a 45 per cent gain in revenues to \$US2.1 billion in the January-March quarter, though profits plunged by nearly half.

The Chinese e-commerce giant named chief operating officer Daniel Zhang as chief executive, replacing Jonathan Lu.

Online listings and review site Yelp surged on reports it is considering selling itself, while shares of cloud computing company Salesforce lurched up and down on shifting reports on its possible acquisition by Microsoft or another large tech player.

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