

US stocks end at records after strong jobs report

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NEW YORK - A strong US jobs report lifted Wall Street stocks to fresh records late Friday and helped propel European equities higher.

Both the broad-based S&P 500 and the tech-rich Nasdaq finished at all-time highs after the Labor Department reported a big gain in jobs in July and upgraded employment estimates for the prior two months.

Each of the major US indices rose about one percent including the Dow, which ended only 12 points away from a record of its own.

"The US economy may not be going gangbusters but it remains the best equity alternative of any worldwide index," said Michael James, managing director of equity trading at Wedbush Securities.

"The most important takeaway from a better jobs report is an indication of a continued grind higher in the US economy."

Meanwhile, the London stock market rose 0.8 percent to above 6,800 for the first time in 14 months, as European equities built on earlier gains seen after the Bank of England Thursday

announced an interest rate cut and surprise stimulus in response to the British vote to leave the European Union.

Paris and Frankfurt both rose about 1.5 percent.

The Labor Department said the US economy added 255,000 jobs in July, easily topping the analyst forecast for an increase of 185,000 payrolls.

It also reported growth in hourly wages, a weak point in some earlier reports that have shown employment growth.

The strong report helped markets shrug off some lackluster US data of late, including a report a week ago that estimated second-quarter growth at just 1.2 percent.

"This was good economic data, replete with strong and relatively broad-based job growth, higher wage growth and an increase in the average workweek," said Briefing.com analyst Patrick O'Hare.

"The economy does appear to be stable and on a slightly more upwards trajectory," said David Levy, portfolio manager at Republic Wealth Advisors.

The jobs report also boosts the odds of a Federal Reserve interest rate increase this year, but probably not before December, analysts said.

That expectation accentuated movements in the foreign exchange market following the British monetary stimulus, boosting the dollar at the expense of the euro and the pound.

"Hotter than expected wage growth was really the icing on the cake of the very strong data, which has pushed up the odds of the Fed raising lending rates in the months ahead," said Omer Esiner of Commonwealth Foreign Exchange.

Banking shares rallied on expectations of higher US interest rates. JPMorgan Chase gained 2.7 percent, Bank of American 3.9 percent and Citigroup 4.3 percent.

Technology shares were also generally higher, with Dow members Apple and IBM climbing 1.5 percent and 1.2 percent, respectively.

Bristol-Myers Squibb plunged 16.0 percent after announcing that a clinical trial of its Opdivo drug to treat lung cancer failed.

The news boosted Dow member Merck, which has a competing drug, pushing shares up a hefty 10.4 percent.

Meanwhile, the euro and the British pound fell against the dollar late Friday as stronger-than-expected employment numbers in the United States rallied markets and raised expectations of a US interest rate hike later this year.

Towards 1800 GMT, the euro was down against the dollar at \$1.1096 versus \$1.1131 at 2100 GMT the day before. The pound also fell to \$1.3086 from \$1.3114 in over the same period.

The US Labor Department on Friday said American private and public sector employers had added more than a quarter of a million jobs, beating analyst expectations and helping confirm a robust, upward trend in labor markets.

Employment numbers are one factor examined by monetary policy makers in deciding whether to increase key interest rates, which can help drive demand for US currency.

"Overall the dollar remains stronger. It will remain supported on the near term following stronger than expected US employment data," said Eric Vitoria of Wells Fargo.

"The details of the reports overall were solid, including the number of payrolls added, the average hourly earnings," he added.

"Unemployment rate was steady but there is an increase in participation, so the report was seen as supportive for the US dollar and an eventual resumption of Fed rates interest hikes later this year. We think December is likely."

<http://nation.com.pk/business/07-Aug-2016/us-stocks-end-at-records-after-strong-jobs-report>