

Credit card companies help lift Wall St

By Samantha Pearson
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US stocks struggled to remain in positive territory on Monday as investors absorbed the impact of last week's surprisingly optimistic jobs report.

The country's unemployment rate dropped unexpectedly to 10 per cent on Friday but stocks initially fell as the data raised the expectation of higher interest rates.

But the market was initially buoyed by news on Monday that China would maintain a "pro-active" fiscal policy in 2010 and keep monetary policy loose.

"The market is trying to absorb a lot of things," said Benny Lorenzo, chief executive of Kaufman Bros, a boutique investment bank and advisory firm in New York. "But the fundamental strengthening in the US economy and the Chinese saying that they will continue their pro-growth policy is winning out for the moment."

The US government's announcement that the troubled asset relief program would cost \$200bn less than previously thought also helped to boost investors' confidence, he said.

After opening lower, the S&P 500 was up 0.1 per cent to 1,107.39 by midday. The Dow Jones Industrial Average gained 0.3 per cent to 10,418.68 and the Nasdaq Composite was flat at 2,194.60.

Credit card companies helped to lift the market after Bank of America-Merrill Lynch raised American Express, Capital One Financial and Discover Financial Services from "underperform" to "neutral". BofA-Merrill said economic recovery should improve credit trends and increase consumer demand. American Express rose 0.9 per cent to \$39.66.

Elsewhere in the financial sector, Citigroup gained 1 per cent to \$4.10 after it emerged that the bank was trying to persuade the US government to allow it to repay \$20bn in bailout funds.

Last week, Bank of America sold \$19.3bn in securities as part of a plan to repay \$45bn of federal funds.

Separately, Kuwait's sovereign wealth fund, the Kuwait Investment Authority, sold its stake in Citigroup for \$4.1bn, making about \$1.1bn in profit.

New York Community Bancorp jumped 8.3 per cent to \$13.35 after the company said it would offer 60m shares to boost its capital levels following its purchase of certain assets and deposits of AmTrust Bank.

On Friday, the group bought an \$11bn chunk of AmTrust in a deal assisted by the US Federal Deposit Insurance Corporation.

Telecoms stocks led the market higher for most of the morning session.

Sprint Nextel, the country's third-largest wireless carrier, climbed 8.7 per cent to \$4.01 after Barron's, the investor magazine, said the company could rise as much as 50 per cent due to its purchase of Virgin Mobile USA.

McDermott International also added to the market's gains after announcing plans to split into two publicly listed companies, separating its power generation business from its offshore oil and gas operations.

Following the deal, expected to be completed in under a year, the group's shareholders will own 100 per cent of the two different companies. The group's shares jumped 10.7 per cent to \$22.87.

In the pharmaceutical sector, Eli Lilly won approval from US regulators to extend the use of Zyprexa, its anti-psychotic medicine, to teenagers with schizophrenia or bipolar disorder. The drugmaker's shares were down 0.1 per cent to \$37.37 after early gains.

Amgen, one of the world's largest biotechnology companies, lost 0.7 per cent to \$56.44 after it said it would increase its share buy-back programme by \$5bn. The group's shares have fallen this year after safety concerns over its anaemia drugs led to sales declines.

Sunpower, the country's second-largest supplier of solar cells, climbed 7.9 per cent to \$24.08 after Barclays Capital raised the group from "equal-weight/neutral" to "overweight/neutral".

Its shares plunged last month after the group said it was investigating millions of dollars in accounting errors at its Philippines operations.

Terra Industries, the fertiliser producer, rose 6.3 per cent to \$41.50 after CF Industries Holdings lifted its offer to buy its smaller rival to about \$4.6bn. CF fell 5.1 per cent to \$84.