

U.S. Stocks Recover From Global Equity Slump, Treasuries Fall

By Nick Baker and Elizabeth Stanton

U.S. stocks advanced, recovering from a worldwide equity market retreat, as analyst upgrades of 3M Co. and Sprint Nextel Corp. helped offset concern credit defaults will spread through the global economy. Treasuries fell after central banks bought the fewest securities since June.

The Standard & Poor's 500 Index added 0.4 percent at 4 p.m. in New York, reversing a 0.6 percent decline. The MSCI World Index of shares in 23 developed markets lost 0.2 percent after Spain's credit outlook was reduced to "negative" at S&P. Benchmark equity indexes for Spain, Greece and Austria plunged more than 2 percent. Treasuries declined, sending yields on 10- year notes up to 3.42 percent. Oil slipped to a two-month low.

Rebounds by metal producers and technology companies trimmed the retreat in the MSCI World, which fell 0.9 percent earlier after S&P said Spain will experience a "more prolonged period of economic weakness" than anticipated at the start of 2009. Equities also declined after Moody's Investors Service cut credit grades for six companies controlled by Dubai, a day after Greece's government bonds tumbled on a debt downgrade.

"Right now in terms of these issues with Dubai and Greece and others, that's fear," said Benny Lorenzo, chairman and chief executive officer of Kaufman Brothers LP, a New York-based investment bank. "Given that backdrop of concern, it's amazing how well the U.S. market has absorbed all of those issues."

Price Increases

3M rose 3.4 percent for the biggest gain in the Dow Jones Industrial Average and Sprint rallied 5.6 percent after Citigroup Inc. analysts advised buying the shares. AK Steel Holding Corp. jumped 6.2 percent, the most in the S&P 500, on plans to raise prices by \$30 a ton.

The MSCI Emerging Markets Index of equities in developing nations retreated 0.7 percent as Dubai's DFM General Index plunged 6.4 percent, extending its retreat since Nov. 16 to 30 percent. Saudi Arabia's benchmark slumped 2.4 percent, and indexes in Poland and China lost more than 1 percent.

Europe's Dow Jones Stoxx 600 Index retreated 1.1 percent.

Santander SA, Spain's largest bank, led the nation's IBEX 35 Index to a 2.3 percent slump. The extra interest, or spread, that investors demand to hold Spanish 10-year debt rather than German equivalents rose to 69.5 basis points from 60.7 basis points yesterday.

Shrinking Economy

The Spanish government plans to raise the value-added tax next year and levies on income from capital while cutting some stimulus spending, even as the economy is projected to shrink. Spain doesn't agree with S&P's revision, and the announcement won't affect policy because the government has already started taking steps to rein in the deficit, said a finance ministry official, who declined to be named.

National Bank of Greece SA and Piraeus Bank SA slid more than 6.5 percent as Fitch followed yesterday's downgrade of Greece's sovereign debt by cutting the lenders. The Athens Stock Exchange General Index dropped 3.4 percent and has lost 12 percent in the past three days.

Greek Finance Minister George Papaconstantinou said there is "absolutely" no chance of a default as the country's bonds slumped the most in a decade, while the cost of credit-default swaps on Dubai's state-controlled DP World implied a 33 percent risk that the port company will renege on debt.

"A financial crisis is like a disease," Philip Gisdakis, the head of credit strategy at UniCredit SpA in Munich, wrote in a research note today. "It spreads."

Treasury Auction

Treasuries fell after an investor class that includes foreign central banks bought the least amount since June of today's \$21 billion offering of 10-year securities. Yields on 10-year notes rose as indirect bidders took 34.9 percent of the notes at today's auction, the least since June. The sale was the second of three this week totaling \$74 billion.

The yield, which moves inversely to price, on the 10-year note rose 0.04 percentage point to 3.42 percent, according to BGCantor Market Data.

Crude oil fell to a two-month low of \$70.67 a barrel in New York after a government report showed that U.S. fuel inventories climbed as refineries bolstered operating rates. Gasoline stockpiles rose 2.25 million barrels to 216.3 million, the report showed.