

Stocks Keep Climbing After Fed

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Stocks remained positive as the Federal Reserve held rates steady and highlighted signs of economic recovery.

In what traders called an optimistic Fed statement, the Federal Open Market Committee said at the conclusion of its two-day policy meeting that "economic activity has picked up following its severe downturn." The Fed voted 10-0 to keep the target federal-funds rate for interbank lending at a record-low range of zero to 0.25%.

The central bank also unveiled a strategy for reining in one of its extraordinary measures to prop up the mortgage market by saying it would extend its \$1.25 trillion of purchases of mortgage-backed securities into next year in order to help financial markets adjust.

"It doesn't surprise me that the market is up on it," said Benny Lorenzo, chief executive of Kaufman Bros. "People are parsing the prose and the actual verbiage, and it doesn't seem to be anything unexpected." He called the mortgage program "a positive thing."

The Dow Jones Industrial Average recently tacked on 30 points, or 0.3%, to 9862, leaving it about in line with its level before the Fed news.

Leading gainers included AT&T, up 3.6%, and Verizon Communications, up 2.3%. Intel was also strong, up 3.1%.

Telecommunications stocks were staging a modest rebound from earlier in the week, though their gains were offset in part by the energy sector, which fell following data that showed a larger-than-expected rise in U.S. oil inventories.

The tech-oriented Nasdaq Composite added 0.5%. The S&P 500 gained 0.2%.

Treasury prices were mixed in recent trading. The two-year note was down by 1/32 to yield 0.968%. The 10-year note rose 4/32 to yield 3.422%. The dollar was stronger.

The market's so-called fear gauge, the CBOE Market Volatility Index slid to a new 52-week low after the Fed news and was recently trading at about 22.40.

Ryan Detrick, senior technical strategist, expects the measure to drop further yet. "We expect it to get to the mid-teens before all is said and done," he said. He added that many market watchers are expecting the VIX to move higher, "which means that likely won't happen."

A selloff in the oil market gathered momentum after the Energy Information Administration reported a 2.8-million-barrel rise in crude-oil inventories for the week ended Sept. 18. Demand was off 3.3%, or 628,000 barrels a day, to 18.5 million barrels a day last week, the lowest level since June 26.

Crude futures dropped \$2.58 to end at \$68.97 a barrel, the lowest level since Sept. 14.

Moody's shares dropped 6.8% after The Wall Street Journal reported that a recently departed Moody's analyst, Eric Kolchinsky, says inflated ratings are still being issued by the company. Moody's shares have plunged this month.

General Mills rose 5% after the cereal maker reported a 51% profit rise and raised its fiscal 2010 earnings forecast.

—Peter A. McKay contributed to this article