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European rescue plan gives U.S. stocks biggest jump of year

By Thomas Content of the Journal Sentinel

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Stock markets roared back Monday from the jitters and wild swings of last week with the biggest one-day gain in more than a year.

A rescue package that poured more resources to stave off a European debt crisis gave investors a jolt of confidence to quell fears that grew last week that the crisis could spread, analysts said.

"The markets were in turmoil the previous week, because the fear was that the contagion would spread - beyond Greece, beyond Europe and maybe into the United States," said Bruce Bittles, an economist and chief market strategist with Robert W. Baird & Co. in Nashville, Tenn. "There was a lot of fear and a lot of panic."

The scale of the package - approaching $1 trillion - underscores how seriously the European central banks were taking the problem, said Bittles and other observers.

The big day on Wall Street followed gains in international stock markets after the European rescue plan was announced.

"There aren't many days when you wake up to find a near trillion Euro rescue package put together to stop government debt defaulting and the financial system from collapsing," market analysts at Deutsche Bank said in a research note.

The one-day gains of about 4% in the Standard & Poor's 500, Nasdaq and Dow Jones industrial average were bigger than any day since March 23, 2009.

The Dow rose 404.71, or 3.9%, to 10,785.14. At its peak, the Dow was up nearly 455 points. The climb came after four straight days of losses.

Even with its gain, the Dow is still below where it closed Wednesday.

The Standard & Poor's 500 index rose 48.85, or 4.4%, to 1159.73. The Nasdaq composite index rose 109.03, or 4.8%, to 2374.67.

Wisconsin stocks joined the rally, with only five of 68 companies losing ground Monday. Leading Wisconsin gainers Monday were Journal Communications Inc., up 12.6%; Marshall & Ilsley Corp., up 12.3%; Ladish Co. Inc., up 11.8%; and MGIC Investment Corp., up 11.6%.

The European Union and the International Monetary Fund agreed to create a nearly $1 trillion rescue fund to support European nations burdened by heavy debt. The scope of the plan was greater than many analysts had expected and eased fears that leaders wouldn't be able to suppress the crisis.

Investors also drew reassurance after the U.S. Federal Reserve and other central banks stepped up with financial support.

The Fed restarted a program from 2008 to ship dollars overseas through the foreign central banks. Those central banks can then lend the dollars out to banks in their home countries. The Bank of England, the European Central Bank, the Bank of Canada, the Swiss National Bank and the Bank of Japan are also involved in the dollar-swap effort.

The panic-arresting announcement lets linger for now the long-term challenge facing Greece and other economies: to rein in spending and runaway deficits.

"This package buys them some time, so we don't have these sorts of panic attacks that are immediate," said Menzie D. Chinn, economics professor at the University of Wisconsin-Madison. "But there's this underlying problem that is of unknown magnitude - can the countries in the euro area get their fiscal house in order?"

Without this announcement, fears would have grown that could have led to higher interest rates, which would have added to European countries' debt and cooled off the European economy, he said.

The deal provides breathing room for an economic recovery to help Europe's fortunes, Bittles said.

"Let's hope they get their act together and those economies can gain some strength in the next 18-24 months," he said. "It's going to take awhile."

The European move "has taken the short-term default of some of these countries off the table and allowed investors to look at other elements of the market, like growing earnings and an improving economic situation, albeit at a slower rebound than some people would like," said Jeff Nelson, director of research at Cleary Gull in Milwaukee.

Corporate earnings in particular have exceeded expectations and on average are up 45% from the dismal showing in the first quarter of 2009, he said.

But the concern was justified that the problems in Europe could spread, affecting not only emerging economies but U.S. companies that export goods to Europe, Nelson said.

"We're in a global economy, so it's hard to have any country act in isolation and not have an impact," he said.

The jolt to markets relieves short-term uncertainty, Chinn said, but the situation could reverse itself if European governments don't follow through with commitments outlined Monday.

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The Dow's rise,

404.71 or **3.9%, to 10,785.14**

The biggest since March 2009, but still leaves it below last Wednesday.

The Associated Press contributed to this report.