

## Financial stocks fuel Wall Street rally

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US stocks rallied strongly during the day on Thursday, reversing early losses, as some of the more beaten up financial stocks gathered momentum and squeezed short sellers out.

**AIG** and **Citigroup**, which were both bailed out by the government at the height of the financial crisis, jumped as recent momentum was further fuelled by fresh news on the companies. This forced short sellers to buy the stocks to protect themselves from heavier losses.

Citigroup jumped 9.1 per cent to \$5.05, helped by reports that Paulson & Co, the fund controlled by billionaire investor John Paulson, had taken a 2 per cent stake in the company.

AIG was the best stock in the entire benchmark S&P 500, with more than the entire free float of the company changing hands.

Analysts said recent conversations between former chief executive Hank Greenberg and current management could help the company, and the stock soared 26.9 per cent to \$47.84.

"It appears that the bears have been squeezed out, although there is not a lot of new money coming in yet," said Randy Frederick, director of active trading at Charles Schwab.

This helped make up for falls in the energy sector, which struggled to make it into positive territory even though the price of oil reversed its early slide.

**Chevron** closed down 0.1 per cent at \$71 while **ExxonMobil** was 0.7 per cent lower at \$70.86.

The S&P finished up 0.3 per cent up at 1,030.98, while the Nasdaq Composite index was 0.2 per cent higher at 2,027.73.

The Dow Jones Industrial Average rose 0.4 per cent to 9,580.63, completing eight straight winning sessions for the first time since 2007.

It was supported by **Boeing**, whose shares jumped after it announced it would have its 787 Dreamliner **ready to fly by the end of this year**. Delays to the aircraft have weighed on the stock and after the release of the new schedule, shares gained 8.4 per cent to \$51.82.

The news also lifted Boeing's suppliers. **Rockwell Collins** rose 3.4 per cent to \$46.53, **Precision Castparts** gained 9.5 per cent to \$94.97 and **Goodrich** was 2.5 per cent higher at \$56.64.

The financial sector started the morning in negative territory after figures showed the number of people claiming jobless benefits for the first time last week did not fall as far as hoped.

This proved a more decisive factor than revised figures showing the US economy **contracted 1 per cent in the second quarter**.

"Right now there is still room for improvement in cyclical data, such as inventories, which should keep the rally going in the near term," said Don Rissmiller, chief economist at Strategas Partners.

Andrew Neale, chief investment officer at Fogel Neale Partners, said: "People are taking an interest in financial stocks as they realise the crisis is over, but they are still very nervous about the recovery story."

But financial stocks swung during the day as the momentum behind the bailed-out former giants pulled the sector higher.

**Dell** gave the technology sector a late jolt as it announced its quarterly results just before the close.

The company had been expected to report after the bell, but an early release of figures showing the company made stronger profits than expected saw the shares jump in late trade.

Revenues were boosted by strong sales of low-cost notebook and netbook mini-laptops and the shares gained 6.7 per cent to \$15.65.

Luxury homebuilder **Toll Brothers** gave an insight into the housing market after it reported a wider loss than expected.

The company sparked a rally in the sector this month after it said cancellations were falling while new orders rose.

Since then its shares have risen 13 per cent, but they ended 1.2 lower at \$22.87 on Thursday.

This knocked mainstream homebuilders also, which have enjoyed an impressive run recently.

**Lennar** declined 1.5 per cent to \$15.34, while **DR Horton** shed 1.9 per cent to \$13.53.

**Nyfix**, the electronic brokerage, surged 89.5 per cent to \$1.63 after **NYSE Euronext**, which operates the New York Stock Exchange, said that it would acquire the company for \$1.68 per share. Shares in NYSE dipped 0.9 per cent to \$28.52.

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