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Stocks Surge on Central Banks' Move

By CHRISTINE HAUSER

Stocks in the United States surged nearly 4 percent on Wednesday, with the Dow up more than 400 points, after central banks took action to address their growing concern about the debt crisis in the euro zone.

The Federal Reserve, the Bank of England, the European Central Bank, the Bank of Japan, the Bank of Canada and the Swiss National Bank made the move to bolster financial markets by increasing the availability of dollars outside the United States.

"The purpose of these actions is to ease strains in financial markets and thereby mitigate the effects of such strains on the supply of credit to households and businesses and so help foster economic activity," the banks said in a statement.

The jump in stocks was an extension of the turmoil and volatility that has pressured world markets related to the sovereign debt pressures in Europe.

Equities on Wall Street ended last week more than 4 percent lower, but indexes so far this week have advanced, helped by improved economic data and the prospect of some remedy to the euro zone problems.

In morning trading, the Dow Jones industrial average was up about 429 points, pushing the index up more than 3.7 percent. The Standard & Poor's 500-stock index and the Nasdaq were also each more than 3.6 percent higher after the move by the central banks.

"The markets are breathing a sigh of relief," said Stanley Nabi, the chief strategist for Silvercrest Asset Management Group.

But the coordinated action also signaled that the problem had reached a crisis point, he said. For the central banks to have taken such action meant they recognized there was a "lot of danger" in letting the current situation continue, he said.

Still, there were questions about the lasting effects of the action if it takes place without tackling the roots of the sovereign debt problems in countries such as Greece and Italy.

"All it does is postpone the crux of the problem," Mr. Nabi said.

The Treasury's 10-year note yield, which moves in the opposite direction of its price, rose 10 basis points to 2.086 percent from 1.99 percent late Tuesday.

Ralph A. Fogel, the head of investment strategy for Fogel Neale Wealth Management, said rates would likely stay very low in the bond markets.

But he said that in equities, the "fear is off that there is going to be any sort of tremendous move down like there was in 2008."

Investors and traders were also treated on Wednesday to a swath of economic news in two of the most sensitive sectors, housing and jobs. Statistics from the payroll processing company ADP showed that the economy added 206,000 jobs in November, more than forecasts, while pending home sales were up 10.4 percent in October from September.

Still, the economic news was considered a sideshow in the markets.

"It is all about the central banks," Mr. Fogel said.

Steven Ricchiuto, the chief economist for Mizuho Securities USA, said the economic reports were another example of how data can be inconsistent as the economy bounces along a shallow growth path.

"The apparently decisive turn in the data follows an equally decisive turn to the downside this past summer which proved to be only temporary and I can see no fundamental reason why the current upside breakout will be any different," he wrote an e-mailed commentary.

"Instead, I see this upturn as just one more in a series of false starts," he said in.

In Europe, the Euro Stoxx 50 and the CAC in Paris were each trading 4 percent higher, while the DAX index in Germany was up more than 5 percent. The FTSE 100 in London rose 3.3 percent.

On Wall Street, bank shares, energy and materials all powered ahead by more than 4 percent.

Shares of Bank of America, which fell more than 3 percent Wednesday to $5.08, their lowest closing level since March 2009, were up more than 5 percent at $5.32.

Financial shares have come under particular pressure as the euro crisis drags on, and after the market closed on Tuesday, the Standard & Poor's agency reduced its credit ratings on several big banks, including JPMorgan Chase and Bank of America and JPMorgan Chase.

The dollar fell against an index of major currencies. The euro rose to $1.3453 from $1.3317.

Binyamin Appelbaum contributed reporting from Washington.