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US STOCKS-Wall St gains on EU summit optimism, U.S. profits

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- * Investor focus remains on European Union weekend summit
- * Settling EU's debt crisis could lead to stock gains
- * McDonald's hit new highs after earnings beat
- * Indexes up: Dow 1.8 pct, S&P 1.5 pct, Nasdaq 1.3 pct

By [Angela Moon](#)

NEW YORK, Oct 21 (Reuters) - Wall Street advanced to its highest levels since early August on Friday on optimism ahead of this weekend's summit of European leaders to tackle the region's debt crisis and as strong earnings from blue chips lifted investor sentiment.

The S&P 500 was on track for its third straight week of gains, the longest streak for the index since February, after stocks experienced volatile swings for most of the week.

Hurdles remain to resolving the crisis, and important differences still separate major players France and Germany, but investors apparently took it as a positive that their leaders have set a target date of Wednesday for reaching a solution.

"Every breath that happens in Europe is impacting us," said Ralph A. Fogel, investment strategist at wealth management and advisory firm Fogel Neale Partners in New York.

"The S&P may be at its highest in more than two months, but I am not sure that the volatile swings that we have been seeing recently is over."

Consumer discretionary stocks were the best performing among S&P sectors after McDonald's Corp reported higher-than-expected quarterly profit, helped by new menu items in the United States and a tiered-price menu in Europe that includes premium and lower-priced selections.

Shares of the fast-food restaurant chain jumped to a new high of \$92.09 earlier. The stock was up 3 percent at \$91.65 by late afternoon trade and the S&P consumer discretionary sector gained 1.8 percent.

The Dow Jones industrial average was up 203.59 points, or 1.76 percent, at 11,745.37. The Standard & Poor's 500 Index was up 18.15 points, or 1.49 percent, at 1,233.54. The Nasdaq Composite Index was up 32.70 points, or 1.26 percent, at 2,631.32.

Recent gains have pushed the S&P 500 to the top of its trading range between 1,230 and 1,250, where it has struggled to advance. Many investors are looking for progress in Europe before earnings can push equities much higher.

But equity markets have been susceptible to rapid and violent swings in recent weeks as traders latch on to varying headlines on Europe's debt crisis, leaving markets prone to volatility heading into the weekend.

Among industrial companies, Honeywell International Inc shares climbed 5 percent to \$50.89 after it reported better-than-expected results and lifted its earnings outlook. The commercial aerospace company rose as much as 5.7 percent, its biggest gain since May 2010.

General Electric Co's third-quarter earnings met Wall Street's estimate, driven by strong demand from Brazil, Russia and China. But its shares fell 2.7 percent as investors worried about declining profit margins at GE's energy equipment division.

The S&P industrials index advanced 1.2 percent.

According to Thomson Reuters data, of the 133 companies in the S&P 500 that have reported earnings through Friday, 68 percent have topped analysts' expectations.

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