

Stocks rise as German Court approves Bailouts

Wednesday, 12 September 2012

Stocks rose Wednesday, boosted by the decision of a top German court to support the euro zone's new 700-billion-euro bailout fund in the latest effort to stem the region's debt crisis.

The German Constitutional Court allowed Germany to ratify the new rescue fund and budget, but gave parliament veto powers over future increases in the size of the fund.

"You are seeing the market just confirming what their expectation already was - we have the expectation for some liquidity - by the Fed, by the ECB, and Mario Draghi has been aggressive in his statements," said Leo Kelly, managing director at HighTower Advisors in Sparks, Maryland.

"This was one of those cases where a bad decision could significantly disappoint the market, but a good decision just is in line with expectations."

The Dow Jones industrial average .DJI gained 29.19 points, or 0.22 percent, to 13,352.55. The Standard & Poor's 500 Index .SPX rose 4.51 points, or 0.31 percent, to 1,438.07. The Nasdaq Composite Index .IXIC added 9.11 points, or 0.29 percent, to 3,113.63.

The S&P 500 index has advanced more than 9 percent since the start of June on hopes for global central bank stimulus. But the index has been unable to significantly pierce the 1,438-1,440 level, seen by many analysts as a significant resistance point.

European stocks touched a 14-month high and yields on Spanish and Italian debt fell after the decision. The FTSEurofirst 300 index .FTEU3 of top European shares gained 0.2 percent. The PHLX Europe sector index .XEX climbed 1.6 percent. <

The decline in Spanish bond yields to well below 6 percent prompted Spain's Prime Minister Mariano Rajoy to say improved market conditions may make aid unnecessary.

The Federal Open Market Committee begins a two-day meeting on Wednesday. The central bank looks set to launch a third round of bond purchases this week to lower borrowing costs and breathe more life into an economy that is not growing fast enough to reduce unemployment.

Chesapeake Energy (CHK.N) rose 1.1 percent to \$20.32 after the company said it is selling \$6.9 billion in gas fields and pipelines, with most of its assets in the Permian Basin being sold to Royal Dutch Shell Plc (RDSa.L) and Chevron Corp (CVX.N), as well as most of its remaining infrastructure network.

Apple Inc (AAPL.O) will be in focus on Wednesday as it unveils its newest iPhone, widely expected to offer 4G wireless technology for the first time and a 4-inch display, longer than the current 3.5 inches. Apple shares dipped 0.2 percent to \$659.37.

Facebook Inc (FB.O) jumped 6.3 percent to \$20.66 after CEO Mark Zuckerberg soothed investors in his first major public appearance since the No. 1 social network's rocky May IPO; he hinted at new growth areas from mobile to search.

Mediware Information Systems Inc shares surged 38.7 percent to \$21.85. The clinical software solutions provider agreed to be acquired by private equity firm Thoma Bravo LLC for \$22 per share in cash.

U.S. import prices rose 0.7 percent in August - the first advance in five months - lifted by the cost of imported oil, a factor that could weigh on American consumers and temporarily boost inflation.

Brent crude prices rose in the wake of the German decision, expectations for Fed policy easing, and rising geopolitical risk after militants killed the U.S. ambassador to Libya.

U.S. wholesale inventories in July rose 0.7 percent to \$485.2 billion, the biggest increase in five months, beating forecasts in a sign economic growth started the third quarter on a stronger footing than expected.