

U.S. Stocks Gain for Week on Earnings, Stimulus Optimism

By Lu Wang - Apr 27, 2013

U.S. stocks rose for the week, with the Standard & Poor's 500 Index rebounding from the biggest drop since November, as companies beat earnings estimates amid speculation central bank stimulus will continue.

The **S&P 500 (SPX)** fell on the final day as data showed the U.S. economy grew less than forecast in the first quarter. United Parcel Service Inc. and **Boeing (BA)** Co. climbed more than 3.2 percent for the week after posting results. Apple Inc. rose 6.8 percent after boosting its dividend and share-buyback plan. DuPont Co. and Halliburton Co. jumped at least 7.5 percent, driving commodity shares to the biggest gain among 10 S&P 500 **groups**.

The S&P 500 rose 1.7 percent to 1,582.24 over the five days, after tumbling 2.1 percent in the previous week. The Dow Jones Industrial Average increased 165.04 points, or 1.1 percent, to 14,712.55. The S&P 500 is up 0.8 percent in April, poised for a sixth straight monthly gain, the longest stretch since September 2009.

“We see a big pivot in markets to go from safe to cyclical,” John Augustine, who helps manage \$27 billion as chief market strategist at Cincinnati-based Fifth Third Bancorp, said by phone. “Earnings were OK. Now market attention is focusing on stimulus, which they believe is coming in **Europe**.”

Global stocks rallied during the week as speculation mounted that the European Central Bank will cut rates when it meets on May 2. U.S. gross domestic product rose at a 2.5 percent rate in the first quarter, below economists' estimates for a 3 percent gain. The economy's inability to sustain faster growth means Federal Reserve policy makers will probably affirm a pledge to keep buying bonds after their May 1 meeting.

Economic Reports

Other economic reports in the week showed demand for durable goods slumped by the most in seven months while applications for unemployment benefits fell to a six-week low.

The **bull market** in U.S. equities has entered its fifth year as the S&P 500 surged 134 percent from a 12-year low in 2009, driven by better-than-estimated corporate earnings and three rounds of monetary stimulus from the Fed.

Analysts are turning more bullish on corporate earnings. Profit at S&P 500 companies gained 1.1 percent in the first three months of the year, according to analysts' projections compiled by Bloomberg. That compares with a week earlier projection for a decline of 1.1 percent.

Of the 270 companies in the benchmark index that have reported so far in this earnings season, 74 percent have **exceeded** analysts' predictions on profits while 54 percent trailed on sales, data compiled by Bloomberg show.

Top Line

“It's the trend we've seen for a while, which is, companies seem to beat on earnings, but struggle on the top line,” Rob Edel, chief investment officer with Nicola Wealth Management, in a phone interview from **Vancouver**. His firm manages about C\$2 billion (\$1.97 billion). “It's a question of how much it is cost-saving driven versus real growth.”

The markets experienced two disruptions in separate incidents during the week. The S&P 500 erased almost all of a 1 percent rally on April 23 following a post on an Associated Press Twitter account that said there were explosions at the White House. Stocks recovered as the AP said it had been hacked and there were no explosions.

A software malfunction shut the Chicago Board Options Exchange for three-and-a-half hours on April 25, preventing traders from trading on options based on the S&P 500 and the so-called VIX gauge of equity volatility.

The Chicago Board Options Exchange Volatility Index dropped 9.1 percent to 13.61 for the week. The gauge has lost 24 percent for the year.

Commodities Rally

Companies whose earnings are most tied to economic swings led gains for the week. Commodity, technology and financial companies [rose the most](#) among 10 S&P 500 groups, rallying at least 2.6 percent. The S&P GSCI gauge of 24 commodities jumped 2.4 percent as gold rallied the most in 15 months and crude capped its biggest increase since June.

The Dow Jones [Transportation Average \(TRAN\)](#) climbed 1.4 percent. UPS advanced 3.3 percent to \$85.71. First-quarter earnings beat estimates as the world's largest package-delivery company carried more purchases to online shoppers.

Boeing jumped 5.6 percent to \$92.85, the highest level in more than five years. The company increased deliveries for 777- and 737-model jets, making up for the halt in buyers picking up Dreamliners while that plane was grounded and helping quarterly profit exceed forecasts.

Apple Profit

Apple rallied 6.8 percent, the most since November, to \$417.21. The company, which this year ceded the title of the world's largest company by market value to Exxon Mobil Corp., said it will return an additional \$55 billion in cash to shareholders to compensate for a stock that's been hammered by signs of slowing growth.

The iPhone maker reported its first profit drop in a decade and forecast sales this quarter that may miss analysts' projections.

[DuPont \(DD\)](#) advanced 7.5 percent to \$52.90. The largest U.S. chemical company by market value posted first-quarter earnings that exceeded analysts' estimates as profit from crop seeds and pesticides hit a record and pigment demand began to recover.

Cost reductions helped quarterly results at Halliburton and Cliffs Natural Resources Inc. Halliburton, the world's largest provider of hydraulic-fracturing services, rose 9 percent to \$40.57. Cliffs Natural, the largest U.S. iron-ore producer, gained 14 percent to \$20.17.

Homebuilders Rally

An index of [homebuilders](#) jumped 14 percent. The Commerce Department reported April 23 that sales of new U.S. homes advanced in March as near record-low mortgage rates helped the industry complete the strongest quarter since 2008.

Profits at D.R. Horton Inc. and PulteGroup Inc. surged amid the accelerating housing recovery. D.R. Horton, the largest U.S. homebuilder by volume, rallied 21 percent to \$26.66. PulteGroup, the biggest by revenue, climbed 19 percent to \$21.35.

[Netflix \(NFLX\)](#) Inc. soared 32 percent, the most in the S&P 500, to \$215.55. The online video service signed up more than 2 million new U.S. customers and 1 million internationally in the first quarter, defying skepticism about its growth prospects.

[Microsoft \(MSFT\)](#) Corp., the world's largest software maker, jumped 6.8 percent to \$31.79 after activist investor ValueAct Holdings LP amassed about a \$1.9 billion stake.

Procter & Gamble Co. declined 5.3 percent to \$77.10 for the biggest retreat since 2009. The maker of Gillette razors and Tide detergent projected fiscal fourth-quarter earnings that trailed analysts' estimates because of currency fluctuations and marketing costs.

AT&T Inc. slipped 3.2 percent to \$37.04. The largest U.S. phone company reported lower first-quarter revenue than analysts forecast, dragged down by sluggish landline sales and competition with Verizon Wireless.

[Edwards Lifesciences \(EW\)](#) Corp. fell the most in the S&P 500, plunging 23 percent to \$64.17. The biggest maker of aortic heart valves implanted with a catheter cut its 2013 forecast on slower-than-anticipated sales.

To contact the reporter on this story: Lu Wang in [New York](#) at lwang8@bloomberg.net

To contact the editor responsible for this story: Lynn Thomasson at lthomasson@bloomberg.net

©2013 BLOOMBERG L.P. ALL RIGHTS RESERVED.