

Market Rallies Treasury Secretary-Designate Breathes New Life into Dow

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(Source: Milwaukee Journal Sentinel) By PAUL GORES

When a bit of uncertainty was removed from the markets Friday with reports that President-elect Barack Obama had picked a Treasury secretary, stability-craving investors reacted by sending the Dow industrials on a nearly 500-point surge, undoing some of the carnage from one of Wall Street's worst weeks.

Analysts said investors have been looking for any sign of hope that the nation's financial system will recover, and the prospects for an orderly transition of the key Treasury post from incumbent Henry Paulson to Timothy Geithner -- the current New York Federal Reserve president -- provided one.

"We've had a massive, massive, massive sell-off in stocks going back to September, and a lot of metrics would tell you that it was dramatically oversold or due for a bottom," said Jay Mueller, a portfolio manager with Wells Fargo Advantage Funds in Menomonee Falls. "You knew something was going to provide the spark for a rally, and the naming of Geithner, I think, is as good an excuse as any."

Quipped Jon C. Bruss, chief executive of Fortress Partners Capital Management in Hartland: "We could have maybe appointed Alfred E. Neuman or Howdy Doody, but as long as we knew who it was, I think we would have had a rally today."

That's how emotional and starved for positive developments investors have become, analysts said.

"I think this appointment of Geithner as the potential Treasury secretary was very important because the Obama team has been rather slow to disclose who are going to be their economic advisers," said Terence V. Pavlic, president and portfolio manager of Pavlic Investment Advisors Inc., Delafield. "We're facing a financial crisis of unbelievable proportions in the economy, and you've got to get out there with that information."

On the day, the Dow Jones industrial average rose 494.13 points, or 6.54%, to close at 8046.42. The Standard & Poor's 500 index climbed 47.59, or 6.32%, to finish at 800.03, while the Nasdaq Composite Index rose 68.23, or 5.18%, to close at 1384.35.

In the two previous days, the Dow had lost a staggering 873 points, more than 10% of its value, and the S&P 500 had sunk to its lowest level since 1997.

Despite Friday's spike, the Dow lost 5.31% for the week, while the S&P 500 remained down 8.39% and the Nasdaq gave up 8.74%.

Among Wisconsin gainers Friday were Twin Disc Inc., up 24.5% to close at \$5.03; MagneTek Inc., up 19.3% to \$2.16; Weyco Group, up 15.8% to \$29.98; Joy Global Inc., up 15.4% to \$17.55; and Tufco Technology Inc., up 15.3% to \$2.42.

Mueller said the markets liked the idea of Geithner at the helm of the Treasury because "he's already in the mix at the New York Fed and should not have a super steep learning curve" in dealing with the financial crisis.

Pavlic called Geithner "an excellent choice."

"This is a guy who's been involved in the process along the way. He's been working with Paulson, he's been involved in all the various interventions in the financial sector," Pavlic said. "The market is relieved that this will be the fellow and that maybe that means we can have some continuity."

Pavlic said reports that the board of Citigroup was meeting to decide what to do with the banking behemoth also gave the market some confidence. The stock of Citigroup was battered this week.

"It finished the day under \$4, which is a really mind-boggling thing to consider -- that what at one time was the biggest bank in the world has now been reduced to this," Pavlic said.

Investors have also worried about the fate of General Motors Corp., Ford Motor Co. and Chrysler LLC. The heads of the companies, warning that automakers are perilously low on cash, have been asking Washington for \$25 billion in loans. But lawmakers have likely put off a vote on whether to extend a lifeline until next month and have asked the automakers for detailed plans about how they would use the money. The prospect of a bankruptcy filing by one or more of the companies has added to Wall Street's worries about the state of the economy.

Analysts said they wouldn't be surprised to see volatility in the market again next week. A lot of economic data, such as sales of existing homes, personal income, personal spending and durable goods orders, is scheduled to be reported.

"There's all kinds of stuff that's going to come out next week. I would expect most of it's not going to look very good," said Mueller. "The question is, 'How bad will it be?' Is it going to be sort of bad, terrible or beyond terrible, and how much of that is already built into the market?"

Pavlic said the markets "need to see some settling of nerves."

"Stocks still are not trading on fundamentals. It's all very emotional and impulsive. But somewhere in there we've got to find a bottom," he said.

The Associated Press contributed to this report.

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