

Dow jumps 207 points on falling oil prices, encouraging profit reports

By Tim Paradis
ASSOCIATED PRESS
Friday, July 18, 2008

NEW YORK — Wall Street shot higher Thursday, with the Dow rising more than 200 points on a combination of tumbling energy prices and stronger-than-expected quarterly reports from big corporations such as JPMorgan Chase, IBM Corp. and United Technologies Corp. Light, sweet crude fell \$5.31 to settle at \$129.29 a barrel; oil has dropped more than \$15 in just the past three days.

"The sentiment has just been so negative that even a whiff of positive news is driving the markets," said Kevin Dorwin, principal at wealth management firm Bingham, Osborn & Scarborough LLC in San Francisco.

"Oil is the key factor right now because inflation has been on the top of investors' minds, and a reduction in the price of oil signals that perhaps inflation will not get out of hand," Dorwin said. "That's very positive for both the stock and bond markets."

Natural gas prices also fell sharply after the Energy Department said domestic stockpiles rose last week, signaling a drop in demand. Natural gas fell 86.1 cents to settle at \$10.537 per 1,000 cubic feet.

The Dow rose 207.38, or 1.8 percent, to 11,446.66. **That brought its two-day rise to 480 points, or 4.4 percent.**

The Standard & Poor's 500 index advanced 14.96, or 1.20 percent, to 1,260.32, and the Nasdaq composite index rose 27.45, or 1.2 percent, to 2,312.30.

The two-day surge lifted the major indexes out of bear market territory, which is defined as a 20 percent drop from the market's recent high, which was in October. However, given the uncertainty that remains about the economy and earnings, the market could easily fall back into bear territory.

The banking sector looked a little brighter after JPMorgan Chase & Co. reported better-than-expected results despite a spike in mortgage and other loan defaults.

The bank's profit dropped 53 percent from a year earlier. But the per-share profit of 54 cents a share was well above Wall Street expectations. Revenue of \$18.4 billion was down 3 percent from a year earlier but almost \$2 billion higher than Wall Street had expected.

However, JPMorgan Chase, like its weaker competitors, still faces a tough environment. Even the bank's more creditworthy borrowers are missing mortgage payments — the charge-off rate for prime mortgages nearly doubled from the first quarter to the second, from 0.48 percent to 0.91 percent.

"They're staggering numbers. We have all the politicians telling people it's OK not to pay your mortgages," said chief executive Jamie Dimon during a call with analysts. He said it's hard to predict how the prime mortgage trends will progress throughout the rest of 2008, but "our current expectation is those losses could triple from here."

United Technologies shares rose 5.9 percent to \$64.70 after the company reported an 11 percent increase in its second-quarter profit. The maker of products as diverse as jet engines and ventilation systems reported strong growth at its Otis elevator and Carrier air conditioner divisions. It also raised its full-year forecast for revenue and per-share earnings.

However, Google Inc. missed Wall Street profit forecasts, raising questions that the ailing economy is starting to affect the Internet search leader.

Google made \$1.3 billion, up 35 percent from a year earlier. On a per-share basis, the company made \$4.63; analysts had been expecting \$4.74.

Revenue rose 39 percent to \$5.4 billion.

IBM's second-quarter profit leaped 22 percent, blowing past Wall Street's estimates.

The company also raised its profit outlook, saying it expects to earn at least \$8.75 per share on the year, an improvement of 25 cents per share over IBM's previous guidance.

IBM made \$2.8 billion, or \$1.98 per share. That's 16 cents per share higher than the average estimate of analysts polled by Thomson Financial.

Last year IBM earned \$2.26 billion, or \$1.55 per share, for the same period.

Microsoft Corp. said its fiscal fourth-quarter profit jumped 42 percent, helped by strong sales of its Office and Windows software. Its per-share profit of 46 cents was a penny short of analysts' expectations, but revenue of \$1.6 billion was slightly higher.

Courtesy of JB Goodwin