

Dayton Daily News

Dow flirts with record before dropping at end

By Mark Fisher, Christina Rexrode of The Associated Press, and Kate Gibson of MarketWatch
March 1, 2013

NEW YORK — U.S. stocks moved to within 15 points of Dow Jones' all-high closing high Thursday before a last minute retreat.

The market was up for much of the day, then turned lower in the final minutes of trading. The decline came after the Dow gained a combined 291 points on Tuesday and Wednesday.

The Dow Jones industrial average ended with a loss of 20 points, or 0.2 percent, at 14,054. That's 110 points below the record close it reached on Oct. 9, 2007 — a time before the financial crisis had fully imploded, when people still believed that stocks, housing prices and wages only went up.

David Kudla, executive director of the University of Dayton's RISE 13 student investment conference and CEO of Mainstay Capital Management LLC, said a record high would represent an important psychological barrier that, when crossed, will help restore the average investor's confidence in the Dow, especially when coupled with the rebounding housing market.

"It will be very significant, because of the length of time it took us to reach this level again," Kudla said.

The milestone is also important for two additional psychological reasons: It can make people feel like the economy is doing better. That can induce them to spend and invest more.

Thursday's close means the Dow rose 1.4 percent in February — respectable, but a slowdown from its 5.8 percent gain in January. Still, the Dow scored its third consecutive monthly gain.

Standard & Poor's 500 index has even a longer winning streak, stretching its streak of gains to four months.

But uncertainty on Wall Street likely will reign in the near term as politicians grapple with automatic cuts in federal spending otherwise known as sequestration. ...

...With the Federal Reserve and other central banks in Europe and Japan committed to keeping interest rates low, Kudla expects the stock market rally to continue through 2013, although not without a brief pullback or correction along the way. Average investors should guard against basing their investment decisions on either caution and fear, he said.

"It's important to have a long-term strategy and a disciplined plan, and stick to it," Kudla said.

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