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Dow jumps as dollar slumps

By [Rick Romell](#) of the Journal Sentinel

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Stocks shot forward again Monday, propelled by growing investor confidence that interest rates will remain low and an abundance of cash waiting to be put to work.

The major indexes rose 2%, with the Dow Jones industrial average hitting its highest mark in more than a year - 10,226.94 - and posting its second 200-point gain in three trading days.

With Monday's bump, the Dow has recaptured almost half of what it lost in the steep slide that began with last fall's financial crisis and reached bottom in March.

Doubts about the future remain, but the 15% to 20% correction some investors have been expecting since last spring may not materialize, said Alan Purintun, principal and portfolio manager at Milwaukee's Oarsman Capital Inc.

So far in this rally, he said, the market has rebounded after much more modest corrections, and each time it does the pressure to jump back in rises.

"There's an awful lot of cash that's missing this," Purintun said.

The average investor has been very skeptical about the rally, and commentary about its presumed fragility continues, said Terence Pavlic, president of Pavlic Investment Advisors Inc., Delafield.

"Some of those things are true," he said. "But on the other hand corporate profits are extremely strong. They're going to get stronger. The government is maintaining stimulus in many areas, particularly housing . . . and so I think that all of that, with the prospect of a normal cyclical economic recovery, means the market's going to be in good shape for a couple of years."

There have been several selloffs since last spring, but each time stocks have bounced back, Pavlic said.

"I've been telling my clients really since April that we buy (on) the dips here," he said.

Bryan Sadoff, investment adviser with Sadoff Investment Management LLC, Glendale, pointed to the Federal

Reserve's management of the nation's money supply as a reason for guarded optimism.

"Historically the stock market performs best when interest rates are low and inflationary pressures are calm," he said. "Really that's what we've seen over the last several months, and that scenario is likely to remain going forward."

Also helping fuel Monday's gains was a continuing weakening of the dollar against foreign currencies.

The sagging greenback boosted prices for commodities such as gold and oil. But many investors like a weaker dollar because it helps U.S. exporters by making their goods cheaper to overseas buyers and giving the companies a boost when they convert profits from abroad to dollars.

"It is the same song we have heard a number of times: The dollar weakened, oil rose, gold rose, and the market went up," said Brian J. Jacobsen, a strategist at Wells Fargo Advantage Funds and an economics professor at Wisconsin Lutheran College.

"It all seems to hinge on investor perception that Fed liquidity is going to continue to prop up stock prices. Easy money policies need to find an outlet. Since it is not resulting in higher prices of goods and services, it is, instead, finding its way into stock prices."

The rise in those prices, however, may start to moderate soon, Barry K. Mendelson said.

Low interest rates, the weakening dollar and a ton of cash on the sidelines have increased investors' appetite for risk and driven money into stocks, said Mendelson, founder and managing partner of Milwaukee's Capital Market Consultants LLC.

But, he said, while the Dow has had "an incredible run" from its low of 6547.05 last March, "it's hard to see the market continuing to race forward on the basis of what looks to us like modest fundamental growth in the economy."

Sadoff, too, sounded a cautionary note. While he believes stocks will continue to benefit from low interest rates and merely modest inflation, he also thinks it will be a long time before we see another 14,000-point Dow.

"Are we going to the old highs anytime soon?" he asked. "No. Is (the recent) rate of increase likely to continue? No."

The Associated Press contributed to this article.



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