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Market indexes reach milestone highs

By Jasen Lee , Deseret News

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A board on the floor of the New York Stock Exchange shows the Dow Jones industrial average above 16,000, Monday, Nov. 18, 2013. The DJIA crossed 16,000 points for the first time early Monday and the Standard & Poor's 500 index crossed 1,800 points. (AP Photo/Richard Drew) (Richard Drew, AP)

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LAKE CITY — It was a near record day for the U.S. market Monday as the Dow Jones

Industrial Average climbed above 16,000 for the first time in history and the Standard and Poor's 500 Index topped 1,800 for the first time.

Stocks edged higher Monday morning, pushed by investors optimistic about ongoing stimulus from the Federal Reserve. Many are also feeling upbeat about economic reports due out this week measuring the health of the economy.

While neither index closed the day above those benchmark levels, some analysts see the new numbers as a positive sign for the national economy.

“For the most part, where you see that impact is the 'wealth effect,'" said Jason Ware, market strategist with Salt Lake City-based Albion Financial Group. “Folks look at the stock market and see that it's trading at comfortably high levels and draw from it that the economy must be doing well because the stock market is doing well.”

Ware noted that increasing values in personal retirement accounts also give many average people confidence that the economy is stronger.

“The impact is psychological,” he said. “The impetus is that people will go out and spend because they feel better about their net worth situation, creating a cycle where companies are more profitable, so they reinvest and the economy moves along.”

“There are a lot of businesses that want to be in a more aggressive growth position," said Salt Lake Chamber spokesman Marty Carpenter. "They want to start adding jobs, (and) they want to buy equipment in order to grow.”

Last Thursday, Janet Yellen sat before the Senate Banking Committee for a confirmation hearing en route to likely becoming next U.S. Federal Reserve chairwoman. The expected successor to Chairman Ben Bernanke spoke in full support of the Fed's current bond buy-back program and gave no indication of tapering in the near term under her leadership, explained Albion Financial spokeswoman Dana Pool.

As domestic stock markets hit record highs Monday, Yellen's neutral policy stance coupled with strong quarterly earnings reports and declining unemployment figures have

collectively encouraged the S&P 500 to 1,800 and Dow Jones Industrial Average to 16,000, Pool added.

“The nomination of a new Fed chair is having a very direct impact on the financial markets, stock markets,” said Jon McKenzie, director of Westminster College's Center for Financial Analysis, “(particularly) in terms of maintaining and continuing to see these record highs.”

Ware said stocks are usually front-line indicators, “so they don’t lag the economy. They lead the economy.”

Despite the upward trend of the indexes, investors should recognize that the market typically ebbs and flows, meaning they should not read too much into this most recent milestone, he said.

“Does it really mean anything? It shouldn’t, because if you are using (the peak levels) alone as your indicator (to invest), then next week if it is down (500 points) because of some (unforeseen global issue), then what do you do, sell?” Ware queried rhetorically. “You should take a more subjective point of view.”

Still, there is cautious optimism about where the market is headed in the foreseeable future, he said.

“Earnings are doing OK. Companies are doing OK,” Ware said. “For the most part, it is clear that stocks may be the best game in town.”

Stocks have typically outpaced inflation over the long run and are still “reasonably valued,” he said.

“So given that view, we think that more money moves into the market, pushing stocks higher,” Ware said.

Email: jlee@deseretnews.com

Twitter: [JasenLee1](#)

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