

U.S. Jobs Data Trigger Global Market Rally

The Associated Press

LONDON (AP) — Financial markets rallied Friday as an increase in U.S. hiring suggested the world's largest economy is not heading for recession but recovering gradually.

The news helped offset disappointment from the previous day, when the European Central Bank failed to deliver on bold promises of immediate action to overcome the region's debt crisis.

The U.S. Labor Department said Friday that 163,000 jobs were added in July, a timid sign of growth after three months of worryingly weak economic indicators and the highest number since February. The increase, however, was not enough to prevent a 0.1 point increase in the unemployment rate, to 8.3 percent.

Analysts said the number was strong enough to dispel fears of imminent recession, but likely not so strong as to dissuade the Federal Reserve from taking more action to help the economy.

"On balance, we doubt this would be enough to persuade the Fed to hold fire in September," said Paul Ashworth, analyst at Capital Economics.

Britain's FTSE 100 closed 2.2 percent higher at 5,787.28, while Germany's DAX added 3.9 percent to 6,865.66. France's CAC 40 climbed 4.4 percent to 3,374.19.

On Wall Street, the Dow industrial average rose 1 percent while the broader S&P 500 gained 2.1 percent.

The U.S. data helped markets recover what they lost on Thursday, when ECB President Mario Draghi offered no concrete new measures to save the euro, only a plan that is to go through committee approval.

On Friday, the euro jumped 1.7 percent to \$1.2389. Even the bond markets improved after yields for financially struggling Spain and Italy jumped higher on Thursday. Spain's 10-year bond yield fell back below 7 percent, to 6.82 percent, while the main stock index jumped 6 percent higher.

Investors had hoped the ECB would resume purchases of government bonds to lower the borrowing costs of financially struggling countries such as Spain and announce other measures to calm a crisis that is dragging down global economic growth.

But Germany, which is Europe's biggest economy, is opposed to the ECB operating outside its mandate to control inflation and wants any government bond purchases to be financed by other funds set up to deal with the crisis.

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The problem with the German approach, some analysts say, is that Europe's bailout funds lack the firepower to make much of a difference if the financial situation in a big economy such as Spain or Italy dramatically worsens.

A surge in Spain's borrowing costs early last week underlined that a bailout of one of Europe's largest economies is probably unaffordable and could splinter the common currency.

Earlier, Asian indexes closed lower, as traders there caught up with the ECB news.

Japan's Nikkei 225 stock average finished down 1.1 percent at 8,555.11, and Hong Kong's Hang Seng was 0.2 percent lower to 19,652.50. Australia's S&P/ASX 200 shed 1.1 percent to 4,221.50, and South Korea's Kospi dropped 1.1 percent to 1,848.68. The Shanghai Composite rose 1 percent to 2,132.80.

In energy trading, benchmark crude soared \$4.45 to \$91.58 a barrel in electronic trading on the New York Mercantile Exchange. The contract fell \$1.78 to close at \$87.13 on Thursday in New York.

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