

# Wall Street Earnings Send Stocks Soaring

By MICHAEL M. GRYNBAUM

Published: March 18, 2008

Financial stocks roared back on Tuesday as a pair of better-than-expected earnings reports from Wall Street's biggest firms spurred a broad rally ahead of a likely rate cut from the Federal Reserve.

With investors looking for the Fed to lower its benchmark interest rate — and some expecting the steepest cut in a generation — Monday's apprehension gave way to an optimistic bounce for some of the market's most beaten-up stocks.

At 2 p.m., the Standard & Poor's 500-stock index was up 3 percent, vanquishing its Monday losses. The [Dow Jones](#) industrials picked up 295 points, and the Nasdaq composite index was up 2.8 percent.

The resurgence in shares of financial firms, which took a severe beating on Monday after the near-collapse of [Bear Stearns](#), was striking. [Lehman Brothers](#), whose share price plummeted 19 percent on Monday as rumors swirled that the bank was facing liquidity problems, gained back all its losses after reporting a 57 percent decline in net income for the first quarter. That figure beat expectations and restored some confidence in the company; its stock rose 37 percent to \$43.63 a share.

[Goldman Sachs](#) reported a 53 percent earnings decline, also better than Wall Street estimates, and its shares rose 14 percent, to \$171.87 a share. [MF Global](#), the commodities brokerage firm that plummeted in value on Monday, gained back 31 percent to \$7.93 a share. And Bear Stearns, which was valued at \$2 a share in the weekend takeover by [JPMorgan Chase](#), was trading at \$6.76, a stunning 40 percent bounce, as traders bet the company may be able to negotiate a better deal in the near future.

Still, Wall Street's focus remains squarely on the outcome of Tuesday's Fed meeting, and some investors appeared to

be holding off on trades until after the central bank announces its rate decision.

Futures markets are continuing to predict a full percentage point cut to the federal funds rate, though a small minority have begun to price in a three-quarter point cut. The federal funds rate affects mortgage rates, car loans, and other consumer transactions, and while a lower interest rate can stimulate growth in the economy, it can also lead to higher prices and a devalued dollar.

But Tuesday morning was marked by cheerfulness across the board. Confidence appeared to be returning to the credit markets, the center of the turmoil that has played havoc with investors for months. Spreads on lending between banks and [Fannie Mae](#) mortgage bonds narrowed, a sign that investors are more certain that loans will be repaid.

The yields on Treasury notes, some of which reached 50-year lows on Monday, climbed back on near- and short-term bonds. And commodities like oil and corn recovered from a sell-off a day earlier. Crude oil gained 2 percent to \$106 a barrel, and gold rose to \$1,008 a troy ounce.

The euro gained ground in anticipation of a deep interest rate cut, which devalues the dollar. The European currency was trading at \$1.5778 around midday on Tuesday.

The bounce on Wall Street followed strong sessions in foreign stock markets, which recovered on the strength of banks and financial services firms. The Nikkei 225 in Tokyo finished up 1.5 percent and Hong Kong's benchmark Hang Seng index gained 1.4 percent.

In Europe, indexes in London, Paris and Frankfurt all closed more than 3 percent higher, a full recovery from Monday's declines.