

NEWS RELEASE

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STOCKS JUMP ON REVISED BEAR STERNS DEAL

By Tim Paradis · Associated Press

NEW YORK (AP) — Wall Street extended its big advance Monday as investors applauded a new agreement that will give Bear Stearns Cos. shareholders five times the payout that was set in a JPMorgan Chase & Co. buyout deal a week ago. Investors were also pleased by a stronger-than-expected housing report, and sent the Dow Jones industrial average up nearly 190 points while also selling bonds sharply lower.

JPMorgan boosted investors' optimism by lifting its offer for Bear Stearns to \$10 per share from \$2. The revised plan is aimed at soothing Bear Stearns shareholders upset over JPMorgan's earlier offer, which was made at the behest of the Federal Reserve when Bear Stearns was near collapse.

Bear Stearns shares jumped \$5.29, or 89 percent, to \$11.25, while JPMorgan rose 58 cents to \$46.55.

Beyond the troubles of the financials, Wall Street was examining the housing sector — the root of much of investors' angst. A real estate trade group said sales of existing homes rose rather than declined in February, as had been expected.

The Fed's move and even the housing figures appeared to alleviate some of Wall Street's concerns about souring mortgage debt and lenders' resulting hesitance to grant loans of any sort. The latest Bear Stearns deal signals that investors' losses might not be as sizable as feared.

"The reason we've rallied the last three or four days is people are saying 'Hey, even if this paper is worth less than people think, the Fed is willing come in and buy it at some level,'" said Charlie Smith, chief investment officer at Fort Pitt Capital Group in Pittsburgh.

The Dow rose 187.32, or 1.52 percent, to 12,548.64, after rising more than 260 points on Thursday, the last day of trading before the Easter weekend.

Broader stock indicators also advanced. The Standard & Poor's 500 index rose 20.37, or 1.53 percent, to 1,349.88, and the Nasdaq composite index rose 68.64, or 3.04 percent, to 2,326.75.

The Russell 2000 index of smaller companies rose 19.86, or 2.91 percent, to 701.28.

Monday's gains followed a volatile but ultimately strong week for the markets. The Dow and the S&P each showed gains of more than 3 percent for the week, while the Nasdaq advanced more than 2 percent.

Bond prices fell sharply as investors felt less of a need for the safety of government bonds, and also rushed to join the stock market rally. The yield on the benchmark 10-year Treasury note, which moves opposite its price, shot up to 3.53 percent from 3.34 percent late Thursday, a huge advance that reflected the shift in market sentiment.

The 10-year Treasury's yield moved up to 3.55 percent in after-hours trading.

Meanwhile, the dollar was mixed against other major currencies, while gold prices rose.

Light, sweet crude fell 98 cents to settle at \$100.86 per barrel on the

New York Mercantile Exchange.

The housing sector, which has offered a steady drumbeat of mostly negative news in recent months, gave investors a welcome lift. The National Association of Realtors said sales of existing homes rose by 2.9 percent in February to a seasonally adjusted annual rate of 5.03 million units. It was the biggest increase in a year and Wall Street had expected a slight decline. Still, the median home price fell by the largest amount on record.

Smith said further readings on the housing sector, including a report on home prices due Tuesday, could help determine whether Wall Street's enthusiasm will continue or prove short-lived. Further weakness in housing, he said, could mean banks will continue to struggle with a locked-up credit market.

Still, the Fed's move to broker the Bear Stearns buyout has allowed investors the sense that not all the debt guaranteed by mortgages is "nuclear waste." It will be some time before Wall Street knows whether the write-downs on mortgages already taken will be sufficient.

"The fact that the Fed is willing to come in and buy it at some level makes people think 'OK, it's not zero,'" Smith said, referring to the troubled debt.

Denis Amato, chief investment officer at **ANCORA ADVISORS** in Cleveland, is skeptical that Wall Street might have put its troubles behind it with the Bear Stearns deal. He said the Fed's extraordinary steps a week ago to lend aid to the struggling investment banks and accept as collateral much of the now-shunned debt was helping the market, but that investors will likely face further concerns.

"I just can't remember in my career having an instance where you know within a week what the watershed event was. Now we all know and that makes me a little bit nervous," he said of those conjecturing that the Bear Stearns deal marks the stock market's bottom.

"I'm not sure that the fundamental economics are still turned enough and that we went down enough in a lot of cases to have this be the real bottom. It may be the one of many bottoms."

Beyond the banks and housing, a report from Tiffany & Co. helped assuage some concerns about the health of high-end consumers. The jeweler said loans it made to a diamond company weighed on its fourthquarter profit, but that earnings excluding items were in line with Wall Street's expectations. Tiffany jumped \$4.05, or 10.5 percent, to \$42.65.

Advancing issues outnumbered decliners by about 4 to 1 on the New York Stock Exchange, where consolidated volume came to 4.37 billion shares, down from 6.12 billion on Friday. Many traders took the day off as part of an extended weekend.

Overseas, Japan's Nikkei stock average closed down 0.02 percent. Markets in Europe and in Hong Kong were closed for Easter Monday.