

Markets Brief

Wall Street's All Smiles This Summer Day

Carl Gutierrez, 08.17.10, 5:22 PM ET

Stocks rallied as investors were encouraged by strong signals on the corporate, economic and merger and acquisition fronts.

"There were positives all over the place," says Andrew Guzzetti, a managing director of Dinosaur Securities, as the Dow Jones Industrial Average increased 1% to 10,405 points, the Nasdaq composite index 1.3% to 2,209 points and the S&P 500 index 1.2% to 1,092 points.

Tuesday's highlights included strong second-quarter earnings reports from Wal-Mart Stores and Home Depot, leading their stocks to increase 1.2% and 3.4%, respectively. Their success on Tuesday spread to their peers as fellow big-box retailers Target and Costco Wholesale, and home improvement retailer Lowe's Companies all enjoyed gains.

Meanwhile, investors were also encouraged by the news that Canadian fertilizer company Potash Corp. of Saskatchewan received an unsolicited \$38.5 billion buyout offer from BHP Billiton, which it rejected on the grounds that it undervalued the company.

The development reinforces the notion that despite the market's troubles, deals are still being made, and follows Monday's news that Dell is purchasing 3Par for \$1.3 billion, as well as media reports that Hulu, which provides television and movie content on the internet, is readying for an initial public offering that may net \$2 billion.

There were also encouraging signs on the economic front as the government reported industrial production increased by 1% in July, ahead of the Street's expected 0.6% gain. The Producer Price Index, which measures the cost of wholesale goods, increased by 0.2%, in line with expectations, though the core PPI grew by 0.3%, ahead of the 0.1% anticipated uptick.

The news helped drive mining firms such as Cliffs Natural Resources, Vale, AcerlorMittal, Rio Tinto and Alcoa.

Even the housing market was given some good news as housing starts increased by 1.7% in July, ahead of expectations. (See ["Builders And Potash Power Stocks Higher."](#))

"What you're seeing here is a classic coiled market," says Guzzetti, referring to the market's broader trends. "The fundamentals of corporations, the cash flow they have, the cash they have on their balance sheet should be driving the market up, but there are other factors pressuring it." These pressures, Guzzetti says, include investors still reeling from the financial crisis, continued economic problems such as protracted unemployment, and uncertainty coming from Washington.

Guzzetti argues that these elements make it a buyer-friendly market. "It's a great time to buy stocks, and we believe on a two to three month basis the market will be higher," Guzzetti says.