

Citigroup fuels Dow rally

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Wall Street snapped out of its stupor and posted its best performance of the year Tuesday, finding a badly needed glimmer of optimism in the most unlikely of places: Citigroup is actually managing to turn a profit.

The 379-point gain for the Dow Jones industrials, a rally of almost 6 percent, was a welcome break from almost uninterrupted selling.

But it's unclear whether the market has bottomed, according to one local investment professional.

"We don't know, and that's the importance of focusing on your individual goals, having a personal-centric versus a market-centric plan," said Eric Jenkins, a partner of Warburton Capital Management in Tulsa. "So, don't be whipsawed; it's one day.

Fred Russell, principal of Fredric E. Russell Investment Management in Tulsa, said if the market hasn't bottomed, it's very close.

"Stock prices, by virtually any means, are real, real cheap. There are bargains galore. The vultures are circling real-estate distressed assets," Russell said.

Citigroup's announcement that it operated at a profit during the first two months of the year was an important emotional catalyst, he added.

Russell said more positive numbers are needed from other big players such as Bank of America and Wells Fargo, along with good data from the manufacturing sector and the jobs front.

"If we get a few more bits of good news, it will be extremely difficult to get in the market except at a higher price," he said. "Right now, the long-term investors are salivating, the shorts are nervous, and the indecisive are more anxious but tempted to get back in. So, everything is coming together for a powerful rally."

Citigroup CEO Vikram Pandit said in a letter to employees that the bank is on track, based on historical trends, to make \$8.3 billion this quarter.

Pandit said the bank has had its best performance since the third quarter of 2007, the last time it booked a quarterly profit.

The news broke a months-long torrent of bad news from the banking industry — particularly for Citi, which had grown so shaky that the federal government had to take a 36 percent ownership stake.

Banking stocks led the markets higher all day. The Dow finished at 6,926.49, its highest close since late February. All 30 of the Dow industrial stocks gained ground.

Citi finished at \$1.45, a gain of 40 cents. Last week, its stock fell below \$1, a level so stunning it left the bank at the mercy of late-night comedians.

Late last month, in its third attempt to rescue the bank from collapse, the Treasury Department took a 36 percent stake in Citi. The bank has already received \$45 billion in bailout money.

Gains on Wednesday would give the Dow its first two-day winning streak since early February. But Wall Street is used to false starts. The Dow had gained 200 points in a single day five times in 2009 before Tuesday. Each time, it lost ground in the next session, twice by triple digits.

And after they hit their lowest points last year, both the Dow and the Standard & Poor's 500 jumped about 20 percent. But those lows didn't last, and Wall Street is now trading well below those levels.

On Tuesday, the S&P closed at 719.60, still less than half of its value at the market peak in October 2007.

"I would be surprised to see us trade back over 800 in the near term," said Ben Halliburton, chief investment officer of Tradition Capital Management in Summit, N.J. "The news coming out on the economic front will continue to be rather gloomy."

Analysts also suggested that the market's gains, especially among financial stocks, could be attributed in part to covering by short-sellers — investors who bet stocks will fall and are forced to buy to limit their losses when the market rallies.

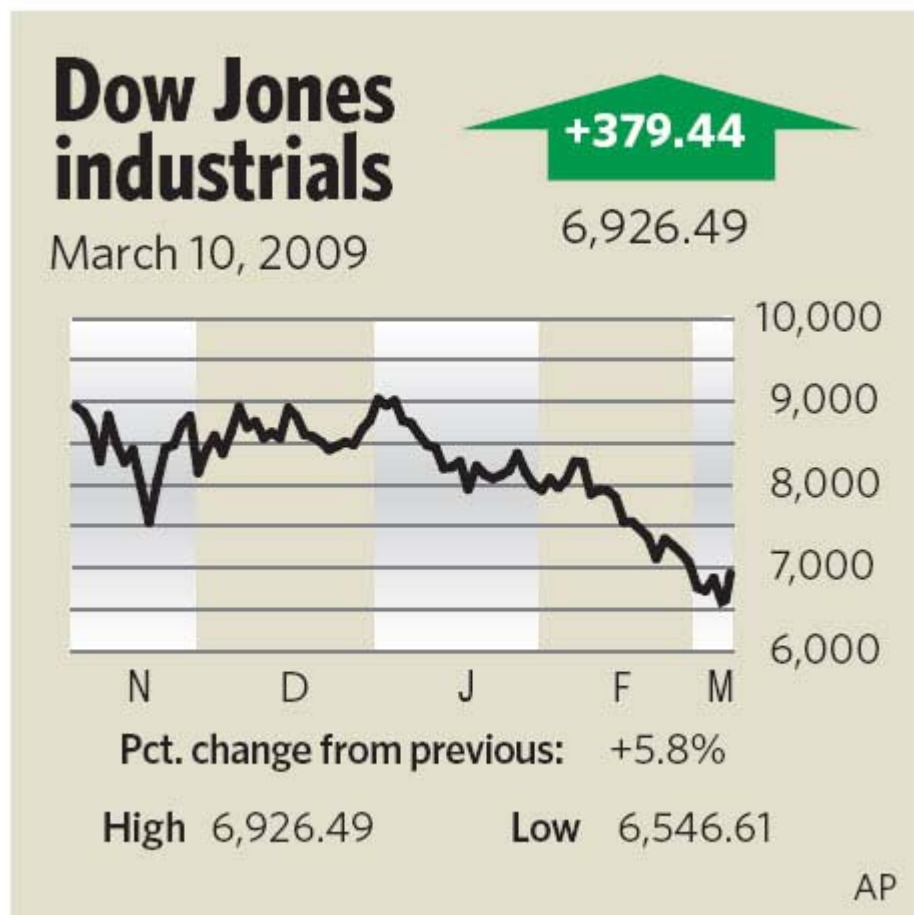
Among banking stocks, Bank of America gained 28 percent, JPMorgan Chase gained 23 percent, and Wells Fargo & Co. gained 18 percent.

Jon Merriman, CEO of brokerage Merriman Curhan Ford in San Francisco, said the letter from Citi's CEO shows the bank is lending. Government officials and market analysts alike have said more lending is key to an economic recovery.


"Maybe Citibank is not going to zero; that means it's going to lend again and then the economy will turn," he said. "People today in the stock market are connecting those dots. And the market is up broadly; it's not just the banks."

Tulsa World Staff Writer Laurie Winslow contributed to this story by Sara Lepro and Tim Paradis of The Associated Press.

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