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U.S. Stocks Rise on Jobs Data, S&P Poised for Best Year in Six

By Rita Nazareth

Dec. 31 (Bloomberg) -- U.S. stocks rose, sending the Standard & Poor's 500 Index to its biggest annual rally in six years, as commodity prices climbed and unemployment claims unexpectedly decreased.

Newmont Mining Corp. and Freeport-McMoRan Copper & Gold Inc. advanced more than 0.7 percent amid gains in metals including copper and gold. Walt Disney Co. and American Express Co. led the gains in the Dow Jones Industrial Average after the government said 432,000 people filed jobless claims last week, less than the 460,000 median forecast in a survey of economists.

The S&P 500 rose 0.1 percent to 1,127.56 at 9:31 a.m. in New York. The Dow gained 4.39 points, or less than 0.1 percent, to 10,552.90. Asian shares and stocks in the U.K. and France advanced, while most European markets, including Germany and Switzerland, were closed.

"There's momentum in the stock market," said **Joseph Saluzzi**, co-head of equity trading at Chatham, New Jersey-based **Themis Trading LLC**. "Jobless claims numbers show we're heading in the right direction. However, you have to be careful with those weekly figures because they have a lot of seasonality and volatility. It's also a double-edged sword. The better the economy gets, the more likely the Fed will raise rates."

The S&P 500 is up 25 percent this year, the largest annual increase since 2003. The measure has rebounded 67 percent from a 12-year low in March after governments around the world enacted stimulus measures to end the recession.

VIX, Valuation

This year's rally has driven down the cost of protection from losses. The VIX, as the Chicago Board Options Exchange Volatility Index is known, has tumbled 75 percent to 19.92 since soaring to an all-time high of 80.86 in November 2008. It measures the cost of using options as insurance against declines in the S&P 500.

The advance since March has left the S&P 500 valued at almost 25 times its companies' reported earnings from the past year, the highest level since 2002, data compiled by Bloomberg show. Most stocks fell yesterday as investors speculated the Federal Reserve will withdraw stimulus measures amid signs the economy is improving.

The S&P 500 has declined 23 percent since the end of 1999, its first drop for a decade since the 1930s. Including reinvested dividends, investors lost 0.9 percent a year since 1999, the first decade of negative annualized returns in the index's history stretching back to 1927, according to S&P analyst Howard Silverblatt.

'Good Year'

"The new year will probably end up being a good year," Sam Stovall, chief investment strategist at S&P, told Bloomberg Radio. "Earnings are supposed to start picking up this quarter. We'll probably see about a 10 to 15 percent gain in the S&P 500 in the second year of this bull market."

Commodity producers gained today. Copper, poised for the biggest annual increase in more than two decades, climbed in London to the highest level in almost 16 months on speculation a strike will disrupt supplies from Chile.

Gold headed for its ninth straight annual advance, while crude oil was poised for the biggest yearly rally since 1999, nearing \$80 a barrel in New York.

Newmont Mining added 1 percent to \$48.06, while Freeport gained 0.7 percent to \$81.42.

YRC Worldwide Inc. added 3 percent to \$1.02. The largest U.S. trucking company said bondholders agreed to swap their debt for equity in the largest U.S. trucker, enabling the company to avoid a bankruptcy filing that may have resulted in liquidation.