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US STOCKS-Wall St rallies with Election Day underway

By Chuck Mikolajczak
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- * Banks, construction companies rise on stimulus bets
- * Wall Street's fear gauge hits one-week low
- * Dow up 2.09%, S&P 500 up 1.84%, Nasdaq up 1.84% (New throughout, updates prices, market activity and comments to mid-afternoon; new byline, adds NEW YORK dateline)

Nov 3 (Reuters) - U.S. stocks rallied on Tuesday as Americans voted in one of the country's most turbulent presidential elections and investors bet it would be decided without a drawn-out process, leading to a swift deal on more fiscal stimulus.

Democrat Joe Biden's lead over Republican President Donald Trump in national opinion polls has raised expectations for a decisive outcome and a post-election stimulus package that would make good on Biden's promises of infrastructure spending.

Some analysts said the market's strong gains reflected a rebound from a selloff last week, the biggest weekly percentage decline for the S&P 500 in over seven months.

"As much as the polls say one thing, I think we all know anything can happen," said Joe Saluzzi, co-manager of trading at Themis Trading in Chatham, New Jersey.

"We do know if it is Biden there most likely will be more stimulus and at least initially a lubing of the system with that free money but then in the back end of that you have corporate tax hikes, you've got more regulation, you've got things the market doesn't like."

U.S. stock index futures plunged on Election Night 2016 as it became apparent Trump could pull an upset victory against Democrat Hillary Clinton. The benchmark S&P 500 has since risen 55% as Trump's lower tax rates boosted corporate profits and share buybacks.

The Dow Jones Industrial Average rose 561.94 points, or 2.09%, to 27,486.99, the S&P 500 gained 60.98 points, or 1.84%, to 3,371.22 and the Nasdaq Composite added 202.02 points, or 1.84%, to 11,159.64.

Gains were broad, with 10 of the 11 major S&P sectors on the plus side, led by financials, up 2.57% and industrials, up 2.84% while investors pared some bets on post-vote volatility that dominated in recent weeks. The CBOE Volatility index hit a one-week low after hitting a 4-1/2 month high last week.

Not all of the stock sectors analysts identified as likely winners from a Democrat sweep were up, with marijuana and renewable energy companies lower.

Democrats are also favored to emerge from 14 hotly contested U.S. Senate races with full control of Congress, although final results from at least five of those contests may not be available for days, or months in some cases.

Some view the races in hotly contested swing states as close enough that Trump could piece together the 270 Electoral College votes he needs to stay in the White House another four years.

The S&P banking subindex surged 3.06% to its highest in more than a week, while industrial stocks gained, with Caterpillar Inc up 2.34% and Honeywell International Inc up 3.24%.

Advancing issues outnumbered declining ones on the NYSE by a 5.04-to-1 ratio; on Nasdaq, a 3.61-to-1 ratio favored advancers.

The S&P 500 posted 26 new 52-week highs and 1 new lows; the Nasdaq Composite recorded 44 new highs and 25 new lows.