(BN) Treasuries Rebound With Gold on Payrolls as U.S. Stocks Ret reat

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Treasuries Rebound With Gold on Payrolls as U.S. Stocks Retreat
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By Lu Wang and Stephen Kirkland

Aug. 2 (Bloomberg) -- Treasuries rallied after American employers added fewer workers than anticipated in July, damping speculation the Federal Reserve will trim bond purchases. Benchmark U.S. stock indexes retreated from records while gold rebounded and the dollar weakened.

The yield on 10-year Treasury notes fell eight basis points to 2.62 percent at 11:44 a.m. in New York. The Standard & Poor's
500 Index lost 0.2 percent while the Stoxx Europe 600 Index rose for a fifth straight day, its longest streak since April. Gold added 0.2 percent after falling more than 2 percent. The dollar fell versus 12 of 16 major peers and the Bloomberg Dollar Index, a gauge against 10 currencies, lost 0.6 percent.

Labor Department data showed payrolls increased 162,000 last month, the smallest gain in four months and compared with a median forecast of 185,000. The unemployment rate dropped to 7.4 percent and was forecast to fall to 7.5 percent, according to the Bloomberg survey median. Reports yesterday showed factory output from the U.S. to China and Europe expanded in July. The Fed said July 31 it would maintain a monthly bond-buying program, without indicating when it may start to reduce purchases.

"The market will read today's jobs report as part of the mixed data that's shaping the Fed's policy," said Stephen Wood, the New York-based chief market strategist who helps oversee about $237 billion at Russell Investments. "The pattern of economic growth looks more lumpy coming into this quarter."

The S&P 500 has advanced 0.7 percent this week, on course for the biggest gain in three weeks.

Market Movers

Chevron Corp. slipped 2.3 percent as net income fell for a second straight quarter. American International Group Inc.
rallied 2.1 percent after saying it will pay its first dividend since 2008 and authorizing a share buyback of as much as $1 billion. LinkedIn Corp. surged 11 percent after increasing its full-year sales forecast. Dell Inc. advanced 5.4 percent as Michael Dell agreed to sweeten his proposal to buy the computer maker with a special dividend.

The S&P 500 briefly extended declines after the U.S. State Department issued a worldwide alert to citizens warning of potential terrorist attacks, particularly in the Middle East and North Africa.

The equity benchmark climbed above the 1,700 level yesterday for the first time as central banks vowed to maintain stimulus efforts and data on global manufacturing beat forecasts. The S&P 500 is trading at 15.4 times projected earnings, compared with an average of 13.9 over the last five years, according to data compiled by Bloomberg.

About 83 percent of stocks in the index traded above their average prices from the past 50 days as of yesterday, according to data compiled by Bloomberg. While that's below a 19-month high of 93 percent reached in May, it's up from its 2013 bottom of 12.8 percent in June.

Stock Momentum

Some 115 S&P 500 stocks had their 14-day relative-strength index exceed 70 yesterday, the most since May 21, Bloomberg data show. RSI measures the degree to which gains and losses outpace each other and some analysts who watch charts to predict market moves consider a reading over 70 an indication stock has risen too far, too fast.

"What were we supposed to do for an encore after a day like yesterday?" said Donald Selkin, who helps manage about $3 billion of assets as the New York-based chief market strategist at National Securities Corp. "It had to let some air out."

Three rounds of bond purchases by the Fed, coupled with improving earnings and economic growth, have helped propel the S&P 500 up more than 150 percent from its bear-market low in 2009. Speculation about the Fed's monthly bond purchases has whipsawed stocks since May, when Chairman Ben S. Bernanke first indicated policy makers could begin reducing the stimulus this year if the job market continues to improve.

## Earnings Season

Nine companies in the S&P 500 are due to report results today. Of companies to have reported so far this period, 74 percent have topped earnings estimates and 56 percent exceeded sales forecasts, according to data compiled by Bloomberg.

The Stoxx 600 increased 0.3 percent, poised for a weekly gain of 1.8 percent. Trading volumes were 4.8 percent above the 30-day average today for the European benchmark and 4.7 percent less than average for the S&P 500.

Allianz SE and Axa SA, Europe's largest insurers, rose  as earnings exceeded estimates. Royal Bank of Scotland Group Plc, Britain's biggest publicly owned lender, slid 3.3 percent after reporting results and naming a new chief executive officer.

Most stocks rose in developing nations as weaker currencies and signs of an improving global economy boosted exporters, sending the MSCI Emerging Markets Index up 0.3 percent. Thailand's benchmark index fell 1.2 percent to a three-week low on concern a planned anti-government demonstration and parliamentary debate on amnesty legislation will fuel political tension.

## Commodity Movers

The S&P GSCI gauge of 24 commodities slipped 0.6 percent, leaving its weekly gain at 1 percent after falling 2.1 percent last week. West Texas Intermediate oil fell 1.1 percent to $106.70 a barrel, trimming this week's advance to 1.9 percent.

"The bulls have regained control," Matthew Sherwood, head of investment markets research in Sydney at Perpetual Investments, which manages about $25 billion, said in an e-mail. "Fears eased about the global economy and reassuring comments from central banks confirmed that the money glut will continue."

## European Yields

Germany's 10-year bund yield was little changed at 1.65 percent.

The yield on similar-maturity U.K. gilts increased two basis points to 2.43 percent and the pound climbed 1.1 percent to $1.5290 after a construction index based on a survey of purchasing managers exceeded analyst estimates.

The additional yield investors demand to hold Italian 10- year bonds over equivalent maturity bunds decreased for a second day, narrowing eight basis points to 261 basis points, the least since June 20.

The dollar headed for weekly gains against 14 of its 16 major peers. The U.S. currency was down 0.5 percent at $1.3280 per euro today and little changed for the week. The dollar touched 99.95 yen, the strongest since July 25, before turning lower and trading at 99.88. The Aussie dollar was little changed at 89.17 U.S. cents, a level unseen since August 2010.

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