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TODAY'S MARKETS

Dow’s Charge Turns the Year Positive

Blue Chips Climb 323 Points as Investors Count on Continued Help From World’s Central Bankers

By ALEXANDRA SCAGGS
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Investors jumped back into stocks, shaking off the worst start to a year since 2008, amid expectations that major central banks will keep cheap money flowing through financial markets.

The gains lifted U.S. benchmark indexes into positive territory for 2015 ahead of a busy period for news on the economy, earnings and monetary policy.

The buying Thursday came as some large investors looked to take advantage of lower prices seen in the opening days of the new year, moving quickly to snap up shares on a sharp dip, as they did repeatedly during 2014.

Some traders said Thursday’s buying also reflected professional money managers’ worry about missing out on more gains in U.S. stocks, said David Seaburg, head of sales trading at Cowen & Co. “There’s a general fear in the market of being left behind,” he said.

During 2014, about 13% of actively managed, large-company stock funds beat the 13.7% return posted by the S&P 500 including dividends, according to Morningstar Inc.

And hedge funds have struggled, as well. The HFRI Equity Hedge Index, which tracks the performance of hedge funds investing in stocks, posted returns of 2.3% during the year, their worst relative performance since 2011.

On Thursday, the Dow Jones Industrial Average jumped 323.35 points, or 1.8%, to 17907.87, its best day since Dec. 18. With those gains, it is up 0.5% this year, having been down 2.5% after the first three sessions of 2015.

The S&P 500 gained 36.24 points, or 1.8%, to 2062.14, and edged into positive territory for 2015 with a 0.2% gain. The Nasdaq Composite Index rallied 85.72 points, or 1.8%, to 4736.19. The tech-heavy index is nearly flat for the year.

No single piece of news was the catalyst for the rally, traders said. But hopes for continued accommodative monetary policies from central banks in Europe and the U.S. helped drive the rally, traders and investors said.

European stocks surged, setting a positive tone for the U.S. session, on hopes of fresh stimulus from the European Central Bank following a weak reading on inflation Wednesday. Germany’s DAX rose 3.4%, and France’s CAC-40 gained 3.6%.

In the U.S., much of the buying was from large investors, traders said.

Curtis Holden, senior investment officer at Tanglewood Wealth Management, which manages $850 million out of Houston, said his firm was buying U.S. and non-U.S. stock exchange-traded funds Thursday, with an emphasis on putting money to work in non-U.S. funds that had lagged behind in 2014.

But, he said, the outlook for U.S. stocks is generally positive, with lower oil prices helping the economy.

“We’re still seeing good growth in the U.S.,” said Mr. Holden. “We’re looking for it to be an OK year” for stocks.

Thursday’s rally was broad, with all 30 Dow components rising and each of the S&P’s 10 sectors also up on the session. Leading the gains were materials and technology stocks.

Energy stocks also rallied, with the S&P group gaining 2.2% as oil prices took a pause from their recent declines. On Thursday, crude-oil futures rose 0.3% to $48.79 a barrel.

Robert Landry, a portfolio manager at USAA Investment Solutions, which oversees $22.3 billion, says he has started eyeing energy shares after the sector’s recent steep declines. Even with Thursday’s rally, the energy sector of the S&P 500 is down 22% since mid-June, when the sector’s slump began.

“Stocks in the sector have taken a pretty good beating,” said Mr. Landry. “It could set up some interesting buying opportunities, but it’s still a little too early to favor the energy sector.”

Comments from Charles Evans, president of the Federal Reserve Bank of Chicago, helped support the bullish mood. He said late Wednesday the U.S. might not hit the Fed’s target inflation rate until 2018 and that he doesn’t advise raising interest rates until next year. The first interest-rate increase is widely expected this year. Mr. Evans, known as a proponent of accommodative policies, will hold a voting spot on the Fed’s policy-setting committee this year.

“If inflation remains low…that would mean we could have interest rates that are low a bit longer than expected,” said Alan Gayle, director of asset allocation at RidgeWorth Investments, which manages about $45 billion. “That would be favorable for U.S. stocks.”

The U.S. dollar continued to rise against the euro and the yen, extending a long-term rally pinned on broader expectations for higher rates. Demand fell for U.S. government bonds, pushing the yield on the 10-year Treasury note, which moves inversely to its price, up to 2.016%.

Stocks extended gains from Wednesday, when a rebound in oil prices and upbeat labor-market data helped the S&P 500 snap its five-day losing streak. Thursdays’ labor-market report was nearly in line with forecasts. The Labor Department said initial jobless claims fell by 4,000 to 294,000 in the week that ended Jan. 3, while economists expected 290,000 new claims.

Traders worked the floor of the New York Stock Exchange on Wednesday, when stocks rose. *REUTERS*

Investors are looking ahead to Friday’s nonfarm payrolls report, which is expected to show the economy added 240,000 jobs in December, according to economists surveyed by The Wall Street Journal. The unemployment rate is expected to slip to 5.7% from 5.8%.

Japan’s Nikkei Stock Average rose 1.7% and Hong Kong’s Hang Seng was up 0.65%.

Among individual stocks, Infinity Pharmaceuticals Inc. plunged $1.99, or 12%, to $14.34 after it said it won’t continue to develop a rheumatoid-arthritis drug, which missed its goal in a clinical trial.

Global Payments Inc. gained 5.49, or 6.9%, to 84.78 after it beat Wall Street’s forecasts for its latest quarterly earnings and sales and said it would consider making acquisitions and expanding into Asia.

—Dan Strumpf contributed to this article.

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Corrections & Amplifications

The S&P 500 had a total return of 13.7% last year. An earlier version of this article misstated the index’s 2014 total return. Also, about 13% of funds beat the S&P 500’s total return, according to Morningstar Inc. Earlier versions had an incorrect percentage.