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Stocks, Euro Gain, Dubai Swaps Plunge as Debt Concern Eases

News - Financial News

Stocks rallied and the euro snapped a two-day decline against the dollar as Germany backed a Greek rescue proposal. The cost to protect Dubai's debt against a default plunged after the emirate committed \$9.5 billion to Dubai World's restructuring.

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The MSCI World Index gained 0.3 percent and futures on the Standard & Poor's 500 Index rose 0.6 percent at 9:12 a.m. in New York. The **DFM General Index** of Dubai shares jumped 4.3 percent, the most since December. The euro strengthened as much as 0.4 percent against the dollar, rebounding from a 10-month low.

German Chancellor **Angela Merkel** said she'll recommend to European leaders meeting in Brussels that Greece be pledged International Monetary Fund assistance and bilateral aid to tackle the region's biggest deficit. In Dubai, the government promised to support the state-owned holding company, easing concern of a default four months after plans to delay debt payments roiled world markets.

"Governments are moving toward solutions to stop wholesale collapse in the short term," said **Mark Schofield**, head of fixed-income strategy at Citigroup Global Markets Ltd. in London. "There's a structural desire to stabilize the fiscal environment."

Abu Dhabi's **ADX General Index** gained 1.1 percent and Poland's **WIG20 Index** advanced 1.6 percent. Credit default swaps linked to Dubai fell 38.2 basis points to 384.5 basis points, according to prices provided by CMA DataVision in London. That is 41 percent lower than the high reached since the beginning of Dubai's crisis.

Europe, Asian Shares

Europe's **Stoxx 600 Index** rose to the highest level in 18 months. Hochtief AG, Germany's biggest construction company, gained 3.9 percent in Frankfurt after posting earnings that beat analysts' estimates. Next Plc, the U.K.'s second-biggest clothing retailer, surged 5.2 percent in London after boosting its dividend and reporting better-than-estimated profit.

The MSCI Asia Pacific Index slipped less than 0.1 percent. Li & Fung, a trading company that supplies Wal-Mart Stores Inc., slumped 11 percent in Hong Kong, while Unicom, China's No. 2 mobile-phone company, sank 4.1 percent.

U.S. futures gained after the **S&P 500** yesterday dropped 0.6 percent. Initial U.S. jobless claims fell to the lowest level in six weeks as the rebound in the economy encourages companies to make fewer cuts in payrolls. First-time jobless applications declined by 14,000 to 442,000 in the week ended March 20, lower than anticipated, Labor Department figures showed today.

Euro Appreciates

The euro strengthened versus the dollar for the first time in three days, climbing as much as 0.4 percent to \$1.3371. European Central Bank President **Jean-Claude Trichet** said the bank will extend its emergency collateral rules beyond 2010, softening his stance as Greece struggles to cut a budget deficit that is 12.9 percent of gross domestic product.

European Union leaders are meeting in Brussels as Germany tries to end haggling over an aid package for Greece, whose budget deficit is more than four times the EU's limit. **Greek bonds** rose, with the two-year note yield dropping 21 basis points to 4.8 percent.

The \$750 million Islamic bond, or sukuk, of Nakheel PJSC, a Dubai World unit, rallied. The emirate's government said in a statement it will supply Dubai World with \$1.5 billion and convert \$8.9 billion in debt to equity. Nakheel will receive \$8 billion in funding and \$1.2 billion through a debt swap. Nakheel's bank creditors will be asked to restructure loans to the company at commercial rates.

'Very Generous'

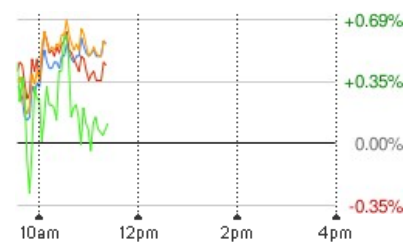
Dubai's announcement "surpasses my expectations, it's very generous," said **Daniel Broby**, chief investment officer at SilkInvest Ltd., a London-based investment firm that holds bonds of the Dubai World unit Nakheel PJSC. "This is what it takes to get the U.A.E. and Dubai back on its feet again."

Concern that the fallout from the global financial crisis may leave some countries unable to pay their debts was reignited after Dubai World said Dec. 1 it wanted to restructure \$26 billion of securities.

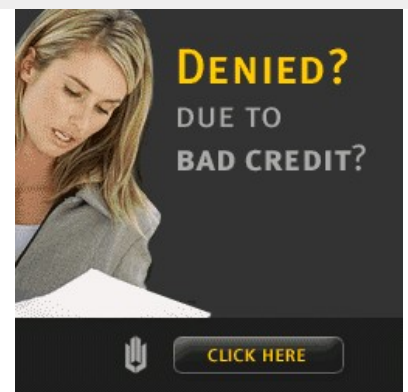
Treasuries advanced, paring a decline yesterday that sent the 10-year yield to the highest level since January. Demand



Market Data



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|---|-----------|-----------|----------------|
| ■ | Dow Jones | 10,900.60 | ▲59.41 (0.55%) |
| ■ | NASDAQ | 2,407.95 | ▲10.54 (0.44%) |
| ■ | S&P 500 | 1,172.18 | ▲6.45 (0.55%) |
| ■ | Google | 563.77 | ▲0.89 (0.16%) |

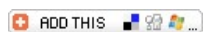


from a group of investors that includes foreign banks fell to the lowest level in eight months at yesterday's five-year auction.

The 10-year yield slipped 1 basis point today to 3.85 percent. The 10-year U.S. swap spread was minus 10.19 basis points today, the narrowest since at least 1988, when Bloomberg began collecting the data.

The U.S. Treasury will auction \$32 billion of seven-year notes after yesterday's sale of five-year securities sold at a yield that was the highest above an average pre-auction forecast since July.

Crude oil for May delivery rose 0.9 percent to \$81.33 a barrel in New York.



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