Techs help erase 133-point drop

Business activity in Chicago contracts, but GDP shrinks less than forecast. Gold reclaims $1,000 an ounce. Nike kicks the Street's estimates.

Posted by Elizabeth Strott on Wednesday, September 30, 2009 9:02 AM

Updated at 1:30 p.m. ET

Positive momentum in the tech sector helped stocks turn around this afternoon, after a disappointing report on manufacturing in the Chicago region pressured the markets earlier in the session.

Adding to the turnaround were positive comments from Federal Reserve Vice Chairman Donald Kohn.

In a speech to the Cato Institute, Kohn said the Fed will decide when to tighten monetary policy based on the central bank's forecast of likely developments and not on current conditions. Kohn also made some reassurances, saying the Fed could reverse its current accommodative stance without creating unstable economic conditions.

At 1:30 p.m. ET, the **Dow Jones Industrial Average** ($INDU) was up 20 points to 9,763. The Dow had been down as much as 133 points at one point this morning. The **Nasdaq Composite Index** ($COMPX) had added 10 points to 2,134, and the **Standard & Poor's 500 Index** ($INX) had gained 1 points to 1,062.

- **Private sector loses 254,000 jobs**

"We have the framework to exit from these policies when we need to do so. And the tools at our disposal will allow us to do so at the pace and in the sequence we judge will best meet our objectives," Kohn said.

The Fed lowered interest rates to near-zero levels and expanded monetary stimulus programs in an effort to prevent the recession from becoming a depression and is now focused on trying to spark a recovery while keeping inflation at bay.

Semiconductor stocks were higher, thanks in part to a boosted sales forecast from research firm ISuppli.

ISuppli raised its 2009 forecast for chip and electronic-equipment sales; the firm expects chip revenue to fall 16.5% to $216.13 billion from last year and electronic-equipment sales to decline 9% to $1.39 trillion. The forecasts were up from previous projections of 23% and 9.8% drops, respectively.

Texas Instruments (TXN) was up 40 cents, or 1.7%, and **Intel** (INTC) shares were higher by 22 cents, or 1.1%, at $19.70.

Higher commodity prices also helped erase the market's earlier losses.

Gold topped $1,000 an ounce today, as a result of a weak dollar. Gold for December delivery climbed $10 to $1,004.40; the commodity is up 8.3% for the quarter, the biggest gain since the first quarter of 2008.

Oil was up $2.53 to $69.25 a barrel this after the EIA said Gasoline inventories fell by 1.6 million barrels. Oil inventories rose 2.8 million barrels last week, and distillate stockpiles increased 300,000 in distillate stockpiles.

Manufacturing in Chicago contracts
The Chicago purchasing managers index fell to a reading of 46.1% from 50.0% in August, as more companies in the Chicago area reported worse business conditions. Economists were expecting the Chicago PMI to rise to a reading of 52% for September. Readings under 50% indicate contraction in business activity.

The new orders index fell to a reading of 46.3% from 52.5% in August. The employment index was essentially unchanged at 38.8%.

GDP shrinks less than forecast
The final reading on second-quarter gross domestic product growth offered a bit of optimism for people looking for signs of a recovery.

GDP contracted by 0.7%, the the slowest decline since the second quarter of 2008. The reading was also better than the previous reading of a 1% drop in GDP, as well as the expectations for a revised 1.2% contraction.

Nike outruns expectations
Nike (NKE) late Tuesday posted better-than-expected fiscal-first-quarter earnings, which sent shares up $4.65, or 7.7%, to $64.74.

Nike earned $513 million, or $1.04 a share, up from $510 million, or $1.03 a share, a year ago. Wall Street was looking for 98 cents a share. Sales fell 12% to $4.8 billion, short of the $4.91 billion analysts had expected.

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