

Stocks surge, Dow hits record

Major gauges advance as investors welcome more merger news and speculation; blue-chip average hits highest point ever.

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NEW YORK (CNNMoney.com) -- Stocks rose Wednesday afternoon, sending the Dow industrials to a new all-time intraday high, as investors welcomed the latest round of deal news, including a potential bidding war heating up in the commodities sector.

The Dow Jones industrial average (up 45.02 to 13,584.97, [Charts](#)) added 0.3 percent over 3 hours into the session, thanks to [Alcoa](#) deal talk. The blue-chip leader briefly touched an intraday record of 13,609.60 before pulling back.

The S&P 500 index (up 6.61 to 1,530.73, [Charts](#)) added 0.4 percent, topping its all-time [closing high](#) on an intraday level. The closing high is 1,527.46 and was hit on March 24, 2000, near the end of the last big bull run, sparked by the 1990s tech boom.

The tech-fueled Nasdaq composite (up 9.54 to 2,597.56, [Charts](#)) gained 0.4 percent, after ending the previous session at a new six-year high.

Deal news and falling oil prices lifted the Nasdaq Tuesday, but the Dow and S&P 500 had struggled as they bumped up against all-time highs. Investors were also a bit hesitant ahead of economic news due later in the week, including durable goods orders and new home sales Thursday.

Wednesday was more positive, thanks to the latest deal news. Also in focus: [comments](#) from U.S. Treasury Secretary Henry Paulson at the end of two-day trade talks with China.

Since bottoming in late February/early March, stocks have been on the rise. The Dow industrials has now surged for 7 weeks straight. Gains have been fueled by strong earnings and the big wave of merger and deal news.

Those factors were in play again Wednesday and are likely to continue to support stocks in the near term, said Alan Lancz, money manager and editor of Lancz Letter.

"Between private equity buyouts and companies buying each other, it stresses that there is still value out there," Lencz said.

Stocks are also benefiting from the lack of competition, he said. "There's a lot of cash on the sidelines and not a lot of other choices, with bonds and real estate not providing competition."

[In](#) corporate news, [Alcan](#) (up \$3.45 to \$84.48, [Charts](#)) said late Tuesday that it turned down a nearly \$28 billion unsolicited offer from [Alcoa](#) (up \$1.55 to \$40.50, [Charts](#), [Fortune 500](#)), because the amount was too low. On Wednesday, media reports said Alcan was [in talks](#) with [BHP Billiton](#) (up \$1.43 to \$52.18, [Charts](#)), suggesting a potential bidding war could be brewing.

Alcan and Alcoa shares both jumped 4 percent on the news, while BHP shares gained nearly 3 percent.

[Morgan Stanley](#) (up \$1.15 to \$86.78, [Charts](#), [Fortune 500](#)) is [buying](#) REIT Crescent Real Estate Equities for about \$2.3 billion plus debt and preferred shares. Morgan Stanley shares gained 1.5 percent.

[Payless ShoeSource](#) (up \$3.30 to \$35.20, [Charts](#)) said it is buying [Stride Rite](#) (up \$4.79 to \$20.24, [Charts](#)) for \$800 million. Payless shares jumped more than 10 percent, while Stride Rite added more than 30 percent.

[Target](#) (up \$1.47 to \$59.51, [Charts](#), [Fortune 500](#)) [posted](#) higher quarterly earnings that beat estimates on higher quarterly revenue that missed estimates. Shares of the retailer climbed almost 3 percent.

Market breadth was positive. On the New York Stock Exchange, winners beat losers 3 to 2 on volume of 760 million shares. On the Nasdaq, advancers topped decliners 4 to 3 on volume of 1.02 billion shares.

[On](#) the economic front, Secretary Paulson said late Wednesday morning that Chinese officials see the need for greater flexibility in the yuan, its currency. Paulson also said the officials agreed there is a need to rebalance the Chinese economy so it is less dependant on exports.

The growing trade deficit with China hit \$235 billion last year due to the low-priced yuan. U.S. businesses have complained that the cheap yuan makes it too hard for them to compete with cheaper Chinese imports and lawmakers have been pushing toward legislation that would compel China to allow its currency to rise.

U.S. light crude [oil](#) for July delivery rose 39 cents to \$65.90 a barrel on the New York Mercantile Exchange. Prices [rose](#) as U.S. naval action in the Middle East overshadowed a U.S. report showing higher refinery activity.

COMEX [gold](#) for June delivery rose \$3.10 to \$663 an ounce.

Treasury [prices](#) inched lower, raising the yield on the 10-year note to 4.85 percent from 4.83 percent late Monday. Treasury prices and yields move in opposite directions.

In [currency](#) trading, the dollar fell versus the euro and was little changed against the yen.