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Wednesday's Bank Stocks: Investors 'searching for good news'

By [Lindsey White](#)

U.S. bank stocks continued the morning's upward trajectory Wednesday, Aug. 24, and broader markets also managed to notch gains, as France's government unveiled measures to cope with an economic slowdown.

The Associated Press reported Wednesday afternoon that the French government has lowered its 2011 growth targets to 1.75% from 2%. France's government also revealed an €11 billion (\$16 billion) austerity package that aims to reduce the nation's deficit and maintain its AAA credit rating.

"Europe [is not getting any better](#): France cuts it growth, Germany cuts it growth, Greece is still at [risk](#) of default," said Donald Musso, president and CEO of FinPro Inc. "It's still very, very ugly, but I think every one of us is searching for good news. None of us want to believe that it can get worse."

After posting losses at [midday](#), the broader markets climbed back into positive territory at the closing bell. The Dow Jones Industrial Average increased 1.29% to 11,320.71; the S&P 500 gained 1.31% to 1,177.60; and the NASDAQ Composite Index was up 0.88% to 2,467.69.

The SNL U.S. Bank Index advanced 3.65% to 215.11, and the SNL U.S. Thrift Index rose 2.49% to 466.52.

"The banking sector really [took a pummeling](#) when it looked like we were going to head into a double-dip recession," Musso said. However, reports on things like [manufacturing](#) and [employment](#) over the last few days have suggested that the economy is not slowing enough to cause a double-dip, resulting in a [market correction](#). "All the information is weak ... but it's not recession-weak," he told SNL. "I think the market is kind of reflecting that."

The U.S. Census Bureau reported Wednesday that new orders for manufactured durable goods rose \$7.7 billion, or 4%, in July, following a revised 1.3% drop in June. Excluding transportation, new orders ticked up 0.7%. Excluding defense, new orders increased 4.8%.

The Federal Housing Finance Agency said Wednesday that U.S. [house prices](#) slipped 0.6% in the second quarter compared to the first quarter, according to its seasonally adjusted purchase-only house price index. At the same time, the agency reported a 0.9% increase in its house price index for June.

The Mortgage Bankers Association said Wednesday that the market composite index of its weekly mortgage applications survey [fell](#) 2.4% on a seasonally adjusted basis in the week ended Aug. 19. On an unadjusted basis, the index lost 2.9%.

Musso said he does not have great expectations for an address Federal Reserve Chairman Ben Bernanke is set to give Friday in Jackson Hole, Wyo. "I don't know that he's got a lot of arrows left in his quiver," Musso said. "I don't know how the Fed right now, through monetary or fiscal policy, can really stimulate the economy. I think it's going to take more of a Congressional act."

Notable gains in the banking sector came from [Bank of America Corp.](#), which advanced 10.95% to \$6.99. Bloomberg News reported Wednesday that BofA [dismissed](#) rumors that it is contemplating a merger with [JPMorgan Chase & Co.](#) as "baseless" in a memo to employees.

In a note released Tuesday, JPMorgan credit analysts said a [capital raise](#) by the Charlotte, N.C.-based banking giant seems likely.

JPMorgan was also in the news as a U.S. court [rejected](#) the FDIC's motion to set aside a lawsuit filed by [Deutsche Bank AG](#) unit [Deutsche Bank National Trust Co.](#) The suit seeks to hold either the regulator or JPMorgan accountable for losses derived from failed [Washington Mutual Inc.](#)'s soured mortgage securitizations. JPMorgan shares were up 3.02% to \$35.83 at the closing bell.

Most large-caps followed suit. [Citigroup Inc.](#) climbed 4.14% to \$28.45; [Wells Fargo & Co.](#) rose 2.05% to \$24.43; and [U.S. Bancorp](#) advanced 3.39% to \$22.24.

Columbus, Ga.-based [Synovus Financial Corp.](#) was one of the few laggards among the big banking players on Wednesday, dropping 2.86% to \$1.36.

Notable gainers among thrifts included Annapolis, Md.-based [Severn Bancorp Inc.](#), which jumped 24.90% to \$3.06; and Paramus, N.J.-based [Hudson City Bancorp Inc.](#), which gained 6.36% to \$6.02.

Market prices and index values are current as of the time of publication and are subject to change.

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