Dow highest since 2008 on jobs; euro up

By Barani Krishnan

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NEW YORK: The Dow industrials average hit its highest since June 2008 on Friday, spurred by encouraging US jobs growth, even as a senior Fed official's cautious view of the economy drove the dollar down against the euro.

Oil prices hit their highest levels since September 2008, and US Treasuries rose, while safe-havens such as gold slipped as appetite for risk grew.

The Dow Jones industrial average climbed above the 12,400 mark after the US government reported a second straight month of robust job gains in March.

A total of 216,000 nonfarm US jobs were added in March, well above the 190,000 expected in a Reuters poll, and January and February figures were revised to show more jobs than previously reported. The unemployment rate fell to a two-year low of 8.8 percent.

"We are growing, we are getting more profitable, we are going to see more jobs. That means consumers are going to do better. That is the better picture to look at," said Marc Pado, US market strategist at Cantor Fitzgerald & Co in San Francisco.

At 14:57 (1823 GMT), the Dow was up 56.05 points, or 0.45 percent, at 12,375.78. The Standard & Poor's 500 Index was up 6.49 points, or 0.49 percent, at 1,332.32. The Nasdaq Composite Index was up 7.63 points, or 0.27 percent, at 2,788.70.

Global stocks, as measured by the MSCI All-Country World Index, rose 0.7 percent.

The dollar fell against the euro after New York Federal Reserve Bank President William Dudley suggested that economic recovery was not looking as good as it did a month ago and that too much should not be made of the latest employment report.

Dudley, one of the central bank's key policymakers, also signaled further support for quantitative easing, Markets have been getting mixed signals from various Fed officials over the past two weeks on growth and whether the central bank is keen to keep the easy monetary policy it maintained since the financial crisis or is looking to raise interest rates.

Dudley said there was no reason to reverse course soon.

"I would be surprised if we didn't finish the full QE2," Dudley said, referring to the central bank's $600 billion stimulus program, which some other Fed officials have indicated could be ended prematurely.

Another factor driving the dollar down versus the euro was the belief that the European Central Bank will be the first central bank to raise interest rates at its policy meeting next Thursday.

The euro was around $1.4197 at midsession in New York, up 0.2 percent, well off the session low of $1.4059. A trader said stop-loss orders between $1.4040 and $1.4060 and the defense of an options barrier around $1.4060 had prompted buying as the euro approached those levels.

The dollar also dipped against a basket of major currencies, with the US Dollar Index off 0.04 percent at 75.828.

OIL REBOUNDS

While many analysts said the US job figures were encouraging, some expressed concern that rising energy and commodity prices could squeeze investments in business expansion, threatening the employment outlook.

"One has to wonder whether we'll see the pace of hiring slow as a result," said **Bernard Baumohl,** chief global economist at the Economic Outlook Group in Princeton, New Jersey.

London Brent crude futures for May rose more than $1 to a contract peak above $118 a barrel. US crude settled up $1.22, or 1.14 percent, at $107.94 a barrel, its highest close since September 2008.

TREASURIES RISE

US Treasuries erased losses after the remarks by Dudley, who also said the nation was still "very far away" from achieving the Fed's dual mandate of maximum sustainable employment and price stability.

"One side of the Fed's mandate, falling unemployment, is saying 'exit.' The other side of their mandate, low core inflation, is saying 'not so fast,'" said Chris Rupkey, chief financial economist at Bank of Tokyo/Mitsubishi UFJ in New York.

The benchmark 10-year US Treasury note was up 4/32 in price for the day, yielding 3.46 percent after being down 10/32 right after the employment report. US federal fund futures were slightly lower, with the January 2012 contract down 3 ticks at 99.645.

Safe-haven gold slipped as the jobs data increased investors' risk appetite. Spot gold, which tracks trades in bullion, dropped 0.1 percent to trade above $1,428 an ounce, off its low at $1,412.55 hit earlier in the session. US gold futures for June delivery finished down 0.7 percent at $1,428.10 an ounce.