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Buoyed by European Commitment to Buy Debt, Markets Soar to a Four-Year High

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Decisive moves by the head of the European Central Bank to preserve the euro zone pushed the benchmark American stock index to a four-year high and fueled hopes that the rally would have staying power.

The markets have greeted several previous efforts to solve Europe's economic woes with euphoria, only to quickly deflate. While there could be some setbacks along the way this time, too, investors suggested that the enthusiasm may not be fleeting. They showed a willingness to dive back into stocks and risky Spanish and Italian bonds and sold safer assets like Treasury bonds. The Standard & Poor's 500-stock index surged nearly 2 percent, surpassing the peak reached earlier this year and hitting a level last seen in January 2008, before the financial crisis. The Nasdaq composite index rose to its highest point since 2000.

Stocks in the United States were also helped by promising data about the American unemployment picture ahead of Friday's highly anticipated jobs report.

A weak employment number could easily derail investor optimism. But on Thursday, investors were captivated by the announcement by the president of the European Central Bank, Mario Draghi, that he was ready to start a bond-buying program that would provide what he said was a "fully effective backstop" for the struggling euro.

"The central bank is clearly prepared to tackle the problem head-on," said **Bernard Baumohl, the chief global economist at the Economic Outlook Group**. "I think people will grow more encouraged that we are finally seeing the light at the end of this tunnel."

The markets have been rallying since Mr. Draghi announced his intention in late

July to do “whatever it takes” to save the euro zone. Since then, the euro zone’s blue-chip index, the Euro Stoxx 50, has risen nearly 10 percent, bringing it up over 20 percent for the summer. The index leapt 3.4 percent on Thursday.

The plan Mr. Draghi announced was not much different from what investors had been expecting. But the full details he provided displayed the breadth of measures he was ready to take.

“It is sufficient to make people think that the E.C.B. has the tools and the willingness to keep all the balls in the air until the political leaders manage to arrive at an agreement,” said Michael Hood, a market strategy for JPMorgan Chase’s asset management division.

Several hurdles, however, could stop the rally in its tracks. Most immediately, a German court is set to rule next week on the constitutionality of the European stability fund that Mr. Draghi built his own strategy around.

If the fund passes muster, Spain and other countries that want to take part will have to agree to take steps to rein in their budget deficits for the E.C.B. to agree to buy their short-term debt in unlimited amounts in the secondary market.

Beyond all of those short-term obstacles, it is not clear that the bond-buying program will help ease basic economicweakness in several Southern European countries.

“This is a good short-term step, but it’s not clear that the ultimate results that people want are deliverable by the E.C.B.,” said Carl Weinberg, the founder of High Frequency Economics.

Spain and Italy are the most likely candidates for the new strategy, and the news helped push down the interest rates on short-dated Spanish and Italian bonds. The yield on the two-year Spanish bond, which rose to nearly 6.5 percent earlier this summer, fell to 2.78 percent, from 2.97 percent.

But the broader optimism in the market was apparent in that investors also bought the longer-term bonds issued by Spain and Italy, pushing the yield on the 30-year Spanish bond down to 6.60 percent from 6.99. Because the E.C.B. will not be targeting these bonds, they are likely to gain in value only if investors gain faith in the economic prospects in those countries.

Mr. Baumohl and other optimists said the central bank program could relieve the pressure on Europe’s banks and free them up to make loans that will support economic growth.

“In the final analysis, what the governments and the institutions have to do is convince the private capital markets that it is safe to invest in Europe,” Mr. **Baumohl** said.

Leading stock indexes were up 3 percent in France and Germany, while Spain's stock market leapt 5 percent.

If Europe does become less of a concern, it will allow the attention to shift more fully to the American economy. The economy showed signs of weakening earlier this summer, but several recent reports have suggested that it may be strengthening.

On Thursday, the Institute for Supply Management said that nonmanufacturing sectors grew faster in August than in July.

Ahead of Friday's monthly jobs report, the Labor Department said Thursday that the number of people filing for jobless benefits last week fell 12,000 from the week before. The payroll company Automatic Data Processing announced that private companies added 201,000 jobs in August.

The employment numbers coming Friday are expected to influence the Federal Open Market Committee when it meets next week. The Fed chairman, Ben S. Bernanke, said last week that more monetary stimulus might be necessary. Investors have been betting on this, but improving economic data could dissuade the Fed from more action.

The S.& P. 500 rose 2 percent, or 28.68 points, to 1,432.12. The last time it was that high was on Jan. 3, 2008. The Dow Jones industrial average climbed 1.9 percent, or 244.52 to 13,292.00, a level last reached in December 2007. The Nasdaq composite index climbed 2.2 percent, or 66.55 points, to 3,135.81.

Interest rates were higher for a third straight session. The Treasury's benchmark 10-year note fell 24/32, to 99 17/32, and the yield rose to 1.68 percent from 1.60 percent late Wednesday.