



Wall Street edges up, but Iraq still in focus

By Ryan Vlastelica
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NEW YORK - U.S. stocks rose modestly on Tuesday afternoon, recovering from morning declines though investors kept watching the turmoil in Iraq as the Federal Reserve began a two-day policy meeting.

Iraq's Shi'ite rulers defied Western calls to reach out to Sunnis to defuse an uprising in the north of the country, declaring a boycott of Iraq's main Sunni political bloc and accusing Sunni power Saudi Arabia of promoting "genocide."

Investors have been monitoring the situation in Iraq, worried that it could lead to sharply higher oil prices for an extended period. U.S. crude prices (CLc1) slipped 0.5 percent to \$106.31 per barrel, following a jump of more than 4 percent last week.

"The Iraq situation could continue to destabilize markets, and there are a lot of unknown factors that could keep oil prices elevated. That said, valuations for stocks are not alarmingly high, and there aren't many alternatives for investors," said **Bernard Baumohl, a managing director at the Economic Outlook Group in Princeton**, New Jersey.

The latest economic data showed that housing starts and building permits fell more than expected in May, though the overall Consumer Price Index rose 0.4 percent, the biggest gain in more than a year.

The spike in the CPI prompted investors to sell some U.S. government debt, pushing the yield on the 10-year Treasury note up as high as 2.65 percent and helping to drive the S&P financial stocks index (.SPSY) up 0.9 percent. It was the S&P's best-performing sector. E*Trade Financial (ETFC.O) was the S&P 500's top gainer, rising 7.4 percent to \$21.95. Shares of Charles Schwab Corp (SCHW.N) advanced 5.4 percent to \$27.27.

The Dow Jones industrial average (.DJI) rose 28.71 points or 0.17 percent, to 16,809.72. The S&P 500 (.SPX) gained 4.53 points or 0.23 percent, to 1,942.31. The Nasdaq Composite (.IXIC) added 21.71 points or 0.5 percent, to 4,342.81.

The Fed began its two-day policy meeting at 10 a.m. (1400 GMT) as scheduled and is widely expected to conclude with another \$10 billion cut of its monthly bond purchases. Not much else is expected in the way of concrete policy moves, putting the focus on whether officials will tip their hand on longer-term plans for interest rates.

"This meeting will be one of the most difficult for the FOMC since there is a particularly difficult set of variables to consider, both domestically and geopolitically," **Baumohl** said. "It will be very challenging to come up with a policy, given all the uncertainties out there."

Yingli Green Energy (YGE.N) shares soared 10.5 percent to \$3.89 after the Chinese solar panel maker reported a quarterly net loss that was nearly halved, citing cost controls and a small rise in panel prices.

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