Small Companies Make Biggest Gains as US Stocks Rise

Smaller, domestically-focused banks and tech and industrial firms made especially large gains

By MARLEY JAY
AP Markets Writer

NEW YORK— U.S. stocks climbed Wednesday as smaller companies soared following a report that showed business investment climbed in August. Investors also hoped stocks will benefit from tax cuts proposed by President Donald Trump and congressional Republicans.

The Labor Department said orders for long-lasting manufactured goods rose, and a gauge of business investment climbed for the second month in a row. Investors hope that means U.S. manufacturing is getting stronger as the global economy continues to improve, and they bet on continued growth: technology companies rallied for a second day, while the prices of traditionally safe investments like bonds and gold dropped.

"We've been waiting for that," said Kate Warne, an investment strategist for Edward Jones, of the recent improvement. "Business spending has been relatively weak," with spending by consumers keeping the economy afloat.

Smaller, domestically-focused banks and technology and industrial firms made especially large gains, and the Russell 2000 index of smaller-company stocks made its biggest gain since March. The tax proposal was similar to what investors had come to expect, and with months of negotiations likely ahead and key details missing, it's not clear what kind of plan might ultimately pass. But lower corporate taxes could help smaller companies more than large ones.

"A corporate tax cut tends to be better news for smaller companies because they don't have as many ways to reduce their tax rate," said Warne.

The proposal would cut tax rates for individuals and corporations. It would lower the top corporate tax rate to 25 percent from its current 35 percent, and also reduces the number of personal tax brackets and nearly doubles the standard deduction used by most Americans.

The Standard & Poor's 500 index added 10.20 points, or 0.4 percent, to 2,507.04. The Dow Jones industrial average rose 56.39 points, or 0.3 percent, to 22,340.71. The Nasdaq composite leaped 73.10 points, or 1.1 percent, to 6,453.26.

The Russell 2000 did even better and continued to set records. It gained 27.95 points, or 1.9 percent, to 1,484.81. After a sluggish few months, the Russell has jumped more than 9 percent since mid-August. The S&P mid-cap and small-cap indexes also climbed.

The Labor Department's report gave investors hope the economy will keep growing, and Wall Street bet that interest rates will keep rising. The yield on the 10-year Treasury note climbed to 2.30 percent from 2.24 percent. That helped banks, as higher interest rates mean they can charge more to lend money. Bank of America picked up 60 cents, or 2.4 percent, to $25.41 and Citigroup rose $1.34, or 1.9 percent, to $72.28.

Meanwhile companies that pay big dividends took steep losses. Kimco Realty, a real estate investment trust that owns outdoor shopping centers, fell 75 cents, or 3.7 percent, to $19.41. Household products maker Procter & Gamble gave up $1.78, or 1.9 percent, to $90.87. Rising bond yields made government bonds a more appealing investment to investors seeking income.

The dollar got stronger and rose to 112.75 yen from 112.17 yen. The euro fell to $1.1756 from $1.1798.

Chipmaker Micron Technology had a better quarter than investors expected, and its stock rose $2.81, or 8.5 percent, to $37.09. Facebook climbed $3.47, or 2.1 percent, to $167.68 and Google's parent company Alphabet picked up $22.47, or 2.4 percent, to $959.90.

Shoe and athletic gear maker Nike said sales in the U.S. remained weak in its first fiscal quarter and steep discounts continued to affect its business. While its earnings and revenue were better than analysts expected, analysts chalked much of that up to lower taxes, stock repurchases, and spending cuts.

Nike lost $1.03, or 1.9 percent, to $52.67.

Utility company Scana took its biggest loss in almost nine years after state police in South Carolina said they are looking into "potential criminality" by the company after a nuclear plant construction project was shut down after some $10 billion had already been spent. Its South Carolina Electric & Gas unit and partner Santee Cooper canceled the project in July after contractor Westinghouse filed for bankruptcy.

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Scana said it will cooperate fully with the inquiry. Its stock sank $4.35, or 7.8 percent, to a two-year low of $51.22.

Gold fell to its lowest in a month. The metal's price declined $13.90, or 1.1 percent, to $1,287.80 an ounce. Two weeks ago gold was at a 12-month high, but it's fallen sharply since then. Silver lost 6 cents to $16.83 an ounce. Copper rose 1 cent to $2.93 a pound.

Benchmark U.S. crude added 26 cents to $52.14 a barrel in New York while Brent crude, the standard for international oil prices, fell 54 cents, to $57.90 a barrel in London.

Wholesale gasoline fell 4 cents to $1.65 a gallon. Heating oil remained at $1.85 a gallon. Natural gas rose 6 cents to $2.97 per 1,000 cubic feet.

The FTSE 100 index in Britain rose 0.4 percent while Germany's DAX rose 0.4 percent. The CAC 40 in France added 0.3 percent. Japan's Nikkei 225 fell 0.3 percent and South Korea's Kospi dipped less than 0.1 percent. Hong Kong's Hang Seng index rose 0.5 percent.

U.S. stocks are jumping along with bond yields and interest rates early Wednesday, Sept. 27, 2017, and technology companies continue to recover some of their recent losses. Athletic gear giant Nike is falling as investors are concerned about the health of its U.S. business. (AP Photo/Mark Lennihan, File)