Stocks keep pushing higher in 2018

AP Photo/Mark Lennihan, File

Stocks are opening higher on Wall Street, Friday led by gains in banks and retailers. Banks were benefiting from higher bond yields.

NEW YORK (AP) — Rising retailers pushed U.S. stock indexes further into record territory on Friday, as the market's fabulous start to 2018 carried through its second week.

Interest rates also climbed after a report showed that a key component of inflation accelerated last month. But stocks absorbed the gains without a hiccup, unlike earlier in the week when rate worries helped send the Standard & Poor's 500 lower for its lone blemish this year.

The S&P 500 rose 18.68 points, or 0.7 percent, to 2,786.24 on Friday to close out its seventh week of gains in the last eight. The index is already up more than 4 percent for 2018.

The Dow Jones industrial average climbed 228.46, or 0.9 percent, to 25,803.19, the Nasdaq composite rose 49.28, or 0.7 percent, to 7,261.06 and the Russell 2000 index of small-cap stocks gained 5.18, or 0.3 percent, to 1,591.97.

Retailers led the way after a government report confirmed that the holiday shopping season was a strong one, with retail sales rising 0.4 percent last month following a 0.9 percent surge in November. The numbers fit with what individual retailers have said recently, and several have raised their profit forecasts as a result.

Shares of Kohl's, Target, Nordstrom and Dollar Tree all jumped more than 3 percent.

Treasury yields, meanwhile, rose after a key measure of inflation rose more last month than economists expected.

Overall inflation slowed in December, but that was mostly due to gasoline and other items that are prone to quick changes in price. "Core" inflation, which looks at the steadier components of the consumer price index, accelerated more than expected last month.

That pushed the yield on the two-year Treasury to 2.00 percent from 1.98 percent late Thursday. The yield on the 10-year Treasury note held steady at 2.54 percent after climbing as high as 2.59 percent in the morning.

Investors have been preparing for a gradual rise in rates, as the Federal Reserve slowly removes the aid it provided the economy following the Great Recession. The worry is that a surprise spike in inflation would force central banks to move more quickly on rates than investors expect and upset markets.

Stocks have been remarkably calm and strong for more than a year. Sandy Villere, a partner and portfolio manager at Villere & Co., said he's optimistic stocks can rise even further because the economy is strengthening and Washington's move to cut tax rates last month will boost corporate profits, among other reasons.

But some caution is starting to creep in as prices keep climbing. Villere said he's holding more cash than prior years as the types of stocks he prefers become more difficult to find: companies with strong growth but low prices relative to their earnings and growth.

"We're not fully invested at this point, but we haven't switched to pure defense yet either," Villere said. "Things are good enough to keep things going solidly, at least for the first half of 2018. We try not to be greedy about it."

The next tests for companies will arrive in coming weeks, as they report their results for the last three months of 2017. Expectations are generally high, and analysts are forecasting growth of nearly 11 percent for S&P 500 earnings per share, according to S&P Global Market Intelligence.

Financial companies are some of the earliest to report, and BlackRock jumped $17.61, or 3.3 percent, to $555.53 after it reported stronger earnings than analysts expected.

On the losing end was Facebook, which fell after the social-media giant said it will show users fewer posts from brands and fewer videos in favor of more posts from friends and family. The changes may mean people spend less time on Facebook, and less advertising revenue for the company.

Facebook dropped $8.40, or 4.5 percent, to $179.37.

Supreme Court to hear sales tax collection case

WASHINGTON (AP) — The Supreme Court agreed Friday to wade into the issue of sales tax collection on internet purchases in a case that could force consumers to pay more for certain purchases and allow states to recoup what they say is billions in lost revenue annually.

Under previous Supreme Court rulings, when internet retailers don't have a physical presence in a state, they can't be forced to collect sales tax on sales into that state. Consumers who purchase from out-of-state retailers are generally supposed to pay the state taxes themselves, but few do. A total of 36 states and the District of Columbia had asked the high court to revisit the issue.

Large brick-and-mortar retailers like Walmart and Target have long bemoaned the fact that they have to collect sales tax on online purchases because they have physical stores nationwide. Meanwhile, smaller online retailers, who don't have vast networks of stores, don't have to collect the tax where they don't have a physical presence.

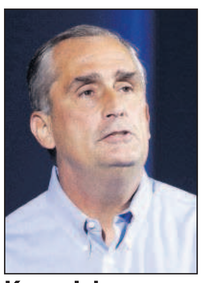
Internet giant Amazon.com fought for years against collecting sales tax but now does so nationwide, though third-party sellers on its site make their own decisions. But the case before the Supreme Court does directly affect other online retailers, including Overstock.com, home goods company Wayfair and electronics retailer Newegg, who are part of the case the court accepted.

States say the court's previous rulings have also hurt them. According to one estimate cited by the states in a brief they filed with the high court, they'll lose out on nearly $34 billion in 2018 if the Supreme Court's previous rulings stand. The Government Accountability Office, which provides nonpartisan reports to Congress, wrote in a report last year that state and local governments would have been able to gain between $8.5 billion and $13 billion in 2017 if they could require out-of-state sellers to collect tax on sales into the state. All but five states charge a sales tax.

The Supreme Court first adopted its physical presence rule on sales tax collection in a case dealing with catalog retailers in 1967, a year that states pointed out in their brief was "two years before the moon landing and decades before" the first online retail transaction. The high court last considered the issue in 1992.

The National Retail Federation, which represents both internet and brick-and-mortar sellers, said Friday it welcomed the Supreme Court's decision to take the case.

Lawmakers demand probe into Intel CEO's stock sales



Krzanich

SAN FRANCISCO (AP) — Two U.S. lawmakers are asking federal regulators to open an investigation into stock sales that reaped a $25 million profit for Intel's CEO several weeks before the company disclosed a serious security flaw threatening millions of computers, phones and other devices.

Sen. Jack Reed, a Rhode Island Democrat, and Sen. John Kennedy, a Louisiana Republican, made the demand in a letter sent Tuesday to the Securities and Exchange Commission and the Justice Department.

They told the agencies that they were troubled by a series of stock sales that Intel CEO Brian Krzanich completed Nov. 29. The trades were made at a time that Intel knew about security bugs that weren't disclosed until last week.

"We request that you conduct a thorough examination of whether any insider trading laws were violated," Reed and Kennedy wrote.

Intel said it will cooperate with any investigation. The SEC declined to comment on the letter and the Justice Department did not immediately respond to a request for comment.

Krzanich's stock sales were made as part of an automated trading program designed to eliminate any questions about the timing of transactions made by top corporate executives. But Krzanich's program wasn't adopted until Oct. 30, about four months after Intel was first informed of the security bugs affecting its products.

Any investigation into Krzanich's sales would likely examine the motives for adopting a trading program at the time.

Despite the concerns raised by last week's disclosure about the security risks. Intel's stock isn't worth that much less than when Krzanich sold his stock. The company's shares closed at $43.62 Tuesday; Krzanich sold his stock at prices ranging from $44.05 and $44.56.

Krzanich held on to 250,000 shares of Intel stock, the minimum that the company requires its CEO to own.