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**November 11, 2006****STOCKS & BONDS**

## Shares Up, Led by Home Builders

**By BLOOMBERG NEWS**

Stocks rose yesterday, wrapping up their sixth weekly gain in the last seven weeks, as falling oil prices lifted companies that thrive in an expanding economy. Treasuries had their biggest weekly gain since September on speculation that the government would curb spending.

[KB Home](#), D. R. Horton and [Centex](#) led a rally among home builders, the best performers in the Standard & Poor's 500-stock index. [Solectron](#), a maker of electronic components, had the index's biggest gain after saying that it would meet or exceed profit forecasts.

"I'm very positive on this market as the basic fundamentals are back in place," said John Merrill, who helps manage about \$475 million as president and founder of Tanglewood Capital Management in Houston. "It's hard to have better earnings. The market does have further room to rise."

The S. & P. 500 rose 2.57 points, or 0.2 percent, to 1,380.90. The [Nasdaq](#) composite index increased 13.71 points, or 0.6 percent, to 2,389.72, its highest close since February 2001.

Walt Disney weighed on the Dow Jones industrial average, which added 5.13 points, to 12,108.43. [Disney](#) said that a higher tax rate might reduce earnings next year.

In the last five days, the S. & P. 500 rose 1.2 percent, the Dow gained 1 percent and the Nasdaq climbed 2.5 percent. Technology companies led the weekly advance on better-than-expected earnings and expectation that gridlock in Congress might forestall new regulations.

Treasuries also rose on expectations that demand for new securities would climb. Democratic control of Congress may lead to lower spending.

Yesterday's gain helped bonds erase losses from Nov. 3, when a government report showed that the national unemployment rate fell to a five-year low, raising concern that growth might be strong enough to allow the Federal Reserve to keep interest rates steady.

The 10-year Treasury note rose 6/32, to 1009/32. The note's yield, which moves in the opposite direction from the price, fell to 4.59 percent, from 4.63 percent.

Yesterday, crude oil fell the most this month after the International Energy Agency cut its demand forecast for the third consecutive month.

World oil demand this year will average 84.49 million barrels a day, 80,000 barrels a day less than estimated last month, the agency said. Slower growth in Chinese use of transport fuels, especially gasoline, was behind the revision, it said. China, the world's second-biggest oil consumer, behind the United States, is still expected to drive growth this year and next.

"The I.E.A. has cut its demand forecast for three months in a row, which could be the start of a trend," said Kyle Cooper, director of research at IAF Advisors in Houston. "This is very different from 2004 and 2005 when we saw demand revised higher repeatedly. This may be evidence that these high prices are putting a lid on demand growth."

Crude oil for December delivery fell \$1.57, or 2.6 percent, to \$59.59 a barrel on the [New York Mercantile Exchange](#). Prices were up 0.8 percent this week and are 3.1 percent higher than a year ago.

The dollar declined versus the euro and yen after the head of China's central bank, Zhou Xiaochuan, said the nation would keep diversifying its foreign exchange reserves.

The dollar fell after Mr. Zhou said China would "stick to the existing policy" of reducing the share of United States assets it holds. The [European Central Bank](#) president, [Jean-Claude Trichet](#), and the Bank of Japan governor, Toshihiko Fukui, suggested this week that they would raise interest rates, adding to the allure of their currencies.

"It was just a timely reminder there is a potential the Chinese central bank will diversify out of dollars into euros and even sterling," said Mike Moran, senior currency strategist at [Standard Chartered](#) Bank in New York. "People have forgotten about this in a market where the dollar bears are winning out."

The dollar traded at \$1.2847 per euro from \$1.2824 on Thursday and \$1.2718 a week ago. The dollar has declined about 1 percent this week versus the euro.

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