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Nasdaq tops 2000 for first time in 2 years

By Matt Krantz, USA TODAY

The Nasdaq composite index finally pulled its chin above 2000 and held it there Monday, giving investors another sign the yearlong tech recovery continues to gain strength.

A last-minute surge pushed the Nasdaq up 33 points to 2006, its first close above 2000 since Jan. 15, 2002. The Nasdaq has scored a breathtaking 50% gain this year and 80% from the bear market low on Oct. 9, 2002.

Much like the Dow Jones industrials breaking back above 10,000 earlier this month, the importance of Nasdaq 2000 is mainly psychological in that it is another confirmation the market is on the mend. The Dow has continued to barrel higher since then, and Monday closed up 125 points at 10,450.

If the Nasdaq can also hold above 2000, analysts say, it could be interpreted as a sign tech stocks are truly recovering from a horrific bear market that cost investors trillions of dollars.

"It's really good news," says Hugh Johnson at First Albany. "It signals that the very dark period in our financial history and the bubble is behind us."

Still, you don't have to look far for reasons any celebration over 2000 now should be muted. The Nasdaq is:

- Stuck below its high.** The index is 3,042 points, or 60%, below its peak of 5048.62 on March 10, 2000. And if previous bubbles are any guide, it could take decades for it to fully recover. For instance, it took 25 years before the Dow returned to its pre-Depression peak set on Aug. 30, 1929, Johnson says.

- Mired in the Bush bear market.** The Nasdaq is still 764 points below where it was when President Bush was inaugurated. On average, the Nasdaq has fallen more than a point every trading day Bush has been in office.

- Shaky around 2000.** The Nasdaq briefly rose above 2000 most recently during trading on Dec. 3, but it took until Monday for it to finally close above.

In fact, the Nasdaq has struggled before to stay above 2000. Its first foray above in July 1998 lasted only three days and was followed by a 29% slide. Five of the 10 times it has broken above 2000, the Nasdaq has dropped back and 15 days later was down more than 5% on average, says Gibbons Burke, editor of MarketHistory.com.

That's why Burke warns investors shouldn't assume all is clear for the Nasdaq again just because it finally closed above 2000. "You can't always say it's bullish or say it's bearish," he says.

Still, Nasdaq 2000 is the kind of event that will rebuild investors' trust in tech stocks, says Jim Paulsen, strategist at Wells Capital Management.

Investors who have been shying away from tech are going to feel the urge to get back into the resurging sector, he says. "That tells me there's more to go," Paulsen says.

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