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Dow gunning for record

Select stocks rise, pushing the blue-chip indicator toward a fresh all-time high; techs struggle after Dell-fueled rally dwindles.

By Alexandra Twin, CNNMoney.com senior writer

NEW YORK (CNNMoney.com) -- The Dow Jones industrial average pushed toward new records Thursday afternoon, while the tech sector struggled, amid higher Treasury bond yields and some mixed company earnings.

A mild read on a key inflation indicator was countered by a report showing contraction in the manufacturing sector.

The Dow Jones Industrial average (up 34.29 to 12,655.98, Charts) added 0.2 percent with just over two hours left in the session, after having hit a fresh all-time trading high in the session. The broader S&P 500 (up 5.35 to 1,443.59, Charts) index added 0.4 percent and flirted with a more-than-six-year high.

The tech-heavy Nasdaq composite (up 0.84 to 2,464.77, Charts) hovered near unchanged after rising in the morning.

Dell (up $0.12 to $24.34, Charts) helped pace an early tech advance. The PC maker said late Wednesday that chairman and founder Michael Dell would retake the helm of the company, replacing its CEO, who abruptly resigned and is leaving the board.

The company also warned that fiscal fourth-quarter sales and earnings would miss estimates. However, investors focused on the management changes, and Dell shares initially surged Thursday morning, lifting the broader technology sector.

However, Dell stock gave back most of its gains as the session wore on, and that caused other tech stocks to give back some of the morning gains too.

Meanwhile, Google (down $10.46 to $491.04, Charts) shares continued to slide as investors took a "sell the news" approach in response to its earnings released late Wednesday. The Internet search leader reported higher quarterly and full-year financial results that topped analysts' estimates. (Full story)

Spending up, inflation in check

Stocks rallied Wednesday after the Federal Reserve opted to hold a key short-term interest rate steady at 5.25 percent, as expected, and implied in its statement that the economy is holding firm, while core inflation is moderating.

That outlook seemed to be echoed by economic news released early Thursday morning, including reports that personal income and spending rose in December, in line with estimates. At the same time, the report's inflation component, the core PCE deflator, rose just 0.1 percent. (Full story)

A separate report showed a bigger-than-expected decline in the number of Americans filing new claims for unemployment.

The early morning reports seem to be in line with the Fed's bet that the economy is slowing enough to take the edge off inflation, but not enough to send the economy into a recession, said Richard Hoyt, portfolio manager at KDV Wealth Management.

But on the downside, the January ISM index, released later in the morning, showed a bigger-than-expected decline, falling to 49.3. A level below 50 is seen as meaning contraction in the sector.

The report was in tune with a weaker Chicago PMI - a regional manufacturing report released earlier in the week. The two reports raised concerns that the overall sector may be seeing a slowdown.

"There may be some concern with that sector, but the big picture on the economy and on the demand side of the supply and demand equation still looks good," Hoyt said, noting the strong fourth-quarter GDP report released Thursday, and upbeat readings on consumer spending and durable goods orders released earlier in the week.

Friday brings the biggest economic news of the week - the January jobs report. Employers are expected to have added 150,000 to their payrolls in the month after adding 167,000 last month. The unemployment rate, generated by a separate survey, is expected to hold steady at 4.5 percent.

Average hourly earnings, the report's inflation component, is expected to have risen 0.3 percent after rising 0.5 percent in the previous month.

On the move

Among other tech movers, On Semiconductor (up $1.29 to $9.65, Charts) rallied 15 percent after reporting higher fourth-quarter earnings that topped estimates.

Amazon.com (up $0.77 to $38.44, Charts) gained ahead of its earnings announcement, expected after the close.

However, a number of big tech stocks slid, including Hewlett-Packard (down $0.55 to $42.73, Charts) and Microsoft (down $0.40 to $30.46, Charts).

Automaker's were reporting their January sales throughout the day. Ford Motor (up $0.08 to $8.21, Charts) reported U.S. vehicle sales fell 19 percent from a year earlier.

Comcast (down $1.59 to $42.76, Charts) reported higher fourth-quarter earnings that nonetheless missed analysts' expectations, sending shares of the cable television operator lower.

Earnings for the broad S&P 500 are currently on track to rise 10.3 percent from a year ago, according to the latest figures from Thomson Financial.

Eye on energy

A number of oil services companies reported earnings Thursday morning. Earnings for the sector are expected to decline in the fourth quarter for the first time since 2002, according to Thomson Financial.

Exxon Mobil (up $0.90 to $75.00, Charts) reported the highest annual profit in U.S. history Thursday morning, although fourth-quarter net income slipped from a year earlier. Exxon shares rose 1 percent.

Marathon Oil (up $1.06 to $91.40, Charts) reported lower fourth-quarter earnings Thursday, due to weaker refining margins and lower natural gas prices. Nonetheless, Marathon shares rose.

A variety of energy stocks gained Thursday, lifting the Amex Oil (up 19.33 to 1,183.60, Charts) index by 1.7 percent.

U.S. light crude oil for March delivery rose 21 cents to $58.35 a barrel on the New York Mercantile Exchange after having traded on both sides of unchanged throughout the session.

Market breadth was positive Thursday. On the New York Stock Exchange, winners topped losers two to one on volume of nearly 1 billion shares. On the Nasdaq, advancers edged decliners by four to three on volume of 1.35 billion shares.

Treasury prices fell, raising the yield on the benchmark 10-year note to 4.84 percent from 4.80 percent late Wednesday. Treasury prices and yields move in opposite directions.

In currency trading, the dollar slipped versus the euro and was little changed against the yen.