HD **Shares surge 1pc on takeover, offshore leads**

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THE Australian sharemarket is trading around 1pc higher, highlighted by a 20pc-plus surge in the shares of takeover target David Jones.

Department store retailer David Jones had jumped 73c, or 22.88 per cent, to $3.92 by noon, after the **company** agreed to be taken over by South Africa's Woolworths for $2.15 **billion**.

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Lonsec senior client adviser Michael Heffernan said several factors had lifted the local bourse: an overnight rebound in US markets, positive global economic growth forecasts from the International Monetary Fund, and some excitement over the takeover agreement involving David Jones.

"The market's up around 1 per cent — that's the best performance we've had for many a day," Mr Heffernan said.

Mr Heffernan said the overseas interest in David Jones had come as a surprise and the positive vibe had spilt over to other retail stocks.

In the retail sector, Myer was 11.5c higher at $2.415 and Harvey Norman was 10c richer at $3.26.

In the resources sector, global miner BHP Billiton added 34c at $38.22, Rio Tinto gained 71c at $65.21, and Fortescue Metals improved 8.5c to $5.675.

Among the major banks, ANZ firmed 36.5c to $33.915, Westpac found 35c at $34.81, National Australia Bank strengthened 26c to $35.46, and Commonwealth Bank jumped 60c to $77.36. Engineering group WorleyParsons surged 91c to $16.39 after it said it will cut more jobs in a new restructure that will hit this year's profit by $35 **million**.

Earlier, US stocks gained ground for the first time in four sessions, led by strength in the recently hard-hit Nasdaq Composite Index, as investors braced for the start of earnings season.

The Dow Jones Industrial Average advanced 10.27 points, or 0.1 per cent, to 16,256.14. The Dow was down as much as 65.59 points, and up as much as 50.99 points, at its intraday extremes.

The S&P 500 index gained 6.92 points, or 0.4 per cent, to 1851.96, while the technology-oriented Nasdaq Composite climbed 33.23 points, or 0.8 per cent, to 4112.99.

The Nasdaq had been hit particularly hard recently amid sharp declines in previously high-flying technology and biotechnology stocks. The index lost 4.6 per cent over the previous three sessions — the biggest three-day percentage decline since November 2011.

Meanwhile, the Dow lost 327.13 points, or 2 per cent, over the previous three sessions.

The market's recent weakness stemmed from concerns over valuations ahead of what is expected to be a lacklustre first-quarter earnings season, traders and strategists said.

First-quarter earnings among companies in the S&P 500 are expected to decline 1.3 per cent from a year earlier as of Tuesday, according to consensus analyst estimates compiled by FactSet. A drop would mark only the second year-over-year decline in earnings since the financial crisis.

"We've seen expectations for earnings growth wane, and that's been weighing on sentiment," said Terry Sandven, chief equity strategist at US Bank Wealth Management, which has $US115 billion in assets under management. He said that sets up overall results to exceed expectations.

"In part because the bar is low, the bias is to the upside," Mr Sandven said.

Bruce Bittles, chief investment strategist at Robert W. Baird & Co, which oversees $US105 billion in client assets, said investor expectations toward earnings "are so low, and declining every day, that it shouldn't be too difficult" for overall results to beat forecasts.

Alcoa unofficially kicked off earnings season when it reported after Tuesday's closing bell first-quarter adjusted earnings per share that exceeded analyst estimates. The aluminium company's stock closed Tuesday up 0.5 per cent, then rose another 2.2 per cent in after-hours trading.

"This is the day the market has been waiting for," said Jeffrey Kleintop, chief market strategist at broker-dealer LPL Financial. "This may not be a great quarter" for earnings, he said, but outlooks for the second quarter "could surprise to the upside" as companies likely saw business improve, along with the weather, at the end of the first quarter.

Despite the recent volatility in stocks, the S&P 500 was still up 0.2 per cent on the year, while the Nasdaq was down just 1.5 per cent.

Given that the economy continues to show improvement, and valuations in the broad market are still fair, "the fundamental backdrop is still favourable for stocks to continue to trend higher," US Bank's Mr Sandven said. "I like the risk-versus-reward [outlook for stocks] at these levels."

With no major economic data released Tuesday, the yield on the 10-year Treasury note inched lower, to 2.681 per cent from 2.695 per cent late Monday. Gold futures rose 0.8 per cent to settle at $US1308.70 an ounce.

Crude-oil futures climbed 2.1 per cent, to $US102.56 a barrel, after the US Energy Information Administration lowered its forecasts for US oil-production growth in 2014 and 2015.

The US dollar declined against the euro and the yen.

In Europe, the Stoxx Europe 600 slipped 0.3 per cent, after falling 1.2 per cent on Monday to snap a nine-session win streak.

Asian markets showed no real direction, as Japan's Nikkei Stock Average slid 1.4 per cent while China's Shanghai Composite climbed 1.9 per cent.

In corporate news, Tesla Motors rallied 3.8 per cent after the company said it started offering a business leasing program for its small and medium-size business customers, which allows them to deduct the payments from their business taxes.

Tesla was among the recent highfliers hit hard over the past month amid worries over valuation. The stock has lost 12 per cent over the last month, but was still up 43 per cent since the start of the year.

Elsewhere, the US-listed shares of Finnish mobile-phone companyNokia rallied 5 per cent after it received Chinese regulatory approval for the sale of its handset business to Microsoft. Shares of Dow component Microsoft tacked on 0.1 per cent.

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