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NEW YORK (CNNMoney) -- Stocks are hovering near their highest levels in about two and a half years. But can they climb higher from here?

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On the one hand, corporate earnings should be fairly strong. Alcoa (**AA** , **Fortune 500**) kicked off the so-called earnings season right on Monday with better-than-expected profits.

Intel (**INTC** , **Fortune 500**) reports after the bell Thursday and analysts are forecasting an earnings per share increase of over 30%. JPMorgan Chase (**JPM** , **Fortune 500**

) reports Friday morning and investors are hoping the bank will soon start paying a bigger dividend again.

Fears of a euro-pocalypse are also diminishing following successful debt auctions from Spain and Portugal in the past two days. (Did you ever think investors in this day and age would need to spend so much time paying attention to the Iberian Peninsula by the way? This isn't exactly the 16th century.)

But looking beyond the next few weeks, there is still legitimate cause for concern. China may need to take even more aggressive steps to rein in its economy as inflation worries run rampant. That could cause the fledgling recovery in the U.S. and Europe to grind to a halt later this year or in 2012.

And even farther out than that, there are worries about the health of the U.S. and Europe in light of their massive debt loads.

"All four countries face dramatic increases under their existing policy commitments arising from ageing-related pension and healthcare subsidies," Moody's analysts wrote. "These future costs must be brought under control if these countries are to maintain long-term stability."

For now though, it looks like investors may continue to focus on what's immediately on the horizon. Stocks may retreat somewhat, but it may not be a bloody correction.

"Debt and other big picture macroeconomic concerns could keep the market in check. We might be due for a pullback. But earnings growth should be solid enough to inspire more confidence," said Jeffrey Kleintop, chief market strategist with LPL Financial in Boston.

Doug Cote, senior market strategist with ING Investment Management in New York, agreed. He said that continued robust growth in emerging markets should lift sales and earnings at many U.S. firms.

"Profits should continue to surprise," Cote said. "This is a global, synchronized economic recovery. That means corporations and consumers should spend strongly."

But could China put an end to the party with even more interest rates hikes? Not necessarily. It's important to note that China is trying to keep its economy from getting too frothy. You could argue that growth is now taking place at what Dark Helmet in Mel Brooks' "Spaceballs" called "ludicrous speed."

So instead of worrying about how China may prematurely kill the global rebound, some think it should be applauded for taking responsible action to prevent a worse scenario: a huge asset bubble that eventually bursts. Sound familiar?

"Inflation is a major threat to the entire Chinese economy and therefore the Asian region and the global economy," said Ray Jovanovich, the Hong Kong-based chief investment officer of Asia for Amundi, an institutional investment firm. "Investors should welcome, not fear, a slowing economy in China. Overheating would be worse than slowing down."

Jovanovich said it's worth noting though that there is a significant divergence between the emerging markets and developed markets.

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Eventually something has to give and he thinks that the U.S. has yet to prove that the economy can truly improve without government stimulus -- be that the Federal Reserve's quantitative easing or tax cuts by Congress.

"The reality in the U.S. is that there is this backdrop of anemic growth. The U.S. must legitimize the recovery by showing the economy can grow without artificial support," Jovanovich said.

Still, as long as the U.S. economy is still showing signs of improvement (artificial or not) the

market rally that started in March 2009 may still have some legs left in it. It may not be rational to keep ignoring the longer-term worries about inflation and debt. But it is what it is.

"Here's the ugly truth. The market is innocent until proven guilty," said Barry Ritholtz, CEO of Fusion IQ, a New York-based research firm. "At this point, given the Fed's policies and the amount of liquidity out there, you have to give the rally the benefit of the doubt."