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U.S. MARKETS

Dow Industrials Leap More Than 1,000 Points

Rebound pulls Dow industrials, S&P 500 from brink of bear market

By Jessica Menton
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The Dow Jones Industrial Average surged more than 1,000 points for the first time in a single session Wednesday, rebounding after a bruising four-day selloff put the blue-chip index and the S&P 500 on the brink of a bear market.

All 30 stocks in the Dow industrials notched gains, as did each of the 11 sectors in the broader S&P. Shares of Amazon.com , Facebook and Netflix climbed more than 8%, while retailers including Kohl's and Macy's rallied as early data on the crucial holiday shopping season appeared robust. Energy stocks including Exxon Mobil and Chevron , meanwhile, rose alongside a nearly 9% climb in oil prices.

But as in many of the volatile days that have characterized markets since the end of September, investors and traders were left scratching their heads to explain the wild swing, with the Dow adding nearly 450 points in the last hour of the session.

U.S. stocks plunged on Monday, with most of the major indices booking their worst Christmas Eve declines ever. **PHOTO:** WANG YING/XINHUA/ZUMA PRESS astonishment," said Michael Antonelli, a trader for R.W. Baird & Co. "I'm sitting on a desk with people who are 20-to-25-year veterans of trading and our mouths are hanging opened, astonished. It was a melt-up and you may never see price action like this again in your life."

But the gains also underscore the breadth and severity of the stock market's pullback in recent months, he said.

"As exciting, fun and incredible as this is to witness firsthand, all the times the Dow moves like this are in a crisis," Mr. Antonelli said, referring to the index's sharp upward moves in the wake of the 2008 financial downturn.

The blue-chip index climbed 1086.25 points, or 5%, to 22878.45, its largest one-day percentage gain since March 2009. The S&P added 116.60 points, or 5%, to 2467.70, led by the consumer-discretionary, energy and technology sectors, which all gained more than 6%. The tech-heavy Nasdaq Composite rose 361.44 points, or 5.8%, to 6554.36.

Wednesday's rally also was driven in part by lighter trading volumes and short covering taking place late in the trading day, said Stephen Guilfoyle, founder and president of Sarge986 LLC, a family-run trading operation.

He added that pension-fund rebalancing is expected to be larger at the end of this month and the quarter, which could add to volatility.

"The rally scraped some of the salt out of the wound for investors, but [Thursday] is really key to whether this rally can sustain," Mr. Guilfoyle said.

All three indexes are still down more than 10% in December and at least 5% for the year as worries about the Federal Reserve's path of interest-rate increases, trade tensions with China and slumping oil prices have spooked investors for much of the fourth quarter. The blue chips had lost more than 1,800 points, or nearly 8%, in the four trading sessions entering Wednesday.

The Dow and S&P began the session sitting on the cusp of bear-market territory, typically defined as at least a 20% decline from a recent high. But after Wednesday's rally, the indexes were down 14.7% and 15.8% from their respective peaks.

The Nasdaq, which was off 19.2% from its high, last week became the first of the major indexes to enter a bear market since the financial crisis in 2009.

Wednesday for Boxing Day.

The Trump administration continued its bid to try to stem the recent volatility. Kevin Hassett, chairman of President Trump's Council of Economic Advisers, said Federal Reserve Chairman Jerome Powell is "100%" secure in his position, despite Mr. Trump's repeated criticism of the Fed and Mr. Powell.

While Mr. Trump has pointed to the Fed as the source of market turbulence, former senior economic officials have privately warned the White House that the Republican president's recent tweets about tariffs and rates were making matters worse.

With just a handful of trading sessions left in the year, investors are now looking ahead to 2019.

Most economists said the chances of a recession next year are low, but a growing number are pessimistic that economic growth will be able to continue 2018's breakneck pace, part of which was fueled by a sweeping corporate tax cut.

This quarter's stock-market swoon, along with a flattening yield curve, sparked concerns for some investors of a looming U.S. slowdown, said Jason Pride, private-wealth chief investment officer for Glenmede.

"The economic expansion definitively isn't over, but I do think it's fragile," said Mr. Pride, whose firm estimates a roughly 35% likelihood of a recession within the next 12 months.

> The 10-year U.S. Treasury yield rose to 2.797% from 2.737% Monday, its largest one-day gain since early November. Yields move inversely to prices.

Economists, meanwhile, are watching for any indication that U.S. consumers are pulling back on spending. Early data for the crucial fourth-quarter shopping season showed consumers delivered the strongest holiday sales increase for U.S. retailers in six years. Total U.S. retail sales, excluding automobiles, rose 5.1% year over year between Nov. 1 and Dec. 24, according to Mastercard SpendingPulse.

Retail stocks were broadly higher, with Amazon and Macy's adding 9.5% and 7%, respectively. Kohl's jumped more than 10%, while Target added nearly 6%.

Despite the market's recent woes, Jimmy Lee, chief executive at Wealth Consulting Group, said he is still bullish on U.S. stocks because of their cheaper valuations.

"If I could go back to every correction or bear market that I've experienced in my 23 years in the business and change what I would have done differently, every single time I wish I could convince our clients to invest more in a diversified equity portfolio," Mr. Lee said.

perform better in later-stage economic cycles and have steady dividend payouts, such as health care, utilities and consumer staples.

In commodity markets, oil prices soared after falling to an 18-month low Monday on continuing worries about oversupply. U.S. crude added 8.7% to $46.22 a barrel, its largest one-day percentage gain since November 2016.

—Michael Wursthorn contributed to this article.

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