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U.S. MARKETS

Global Stocks Gain as U.S. Delays Ban Against Huawei

Futures pointed to opening rises on Wall Street

By Nathan Allen

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European stocks climbed on Tuesday following a broadly positive session in Asia after the Trump administration said it would grant temporary exemptions to the export blacklist against Huawei Technologies.

In the U.S., futures pointed to opening gains of around 0.6% for the S&P 500, 0.5% for the Dow Jones Industrial Average and 0.8% for the Nasdaq-100.

The Stoxx Europe 600 rose 0.6% in midday trade, with the U.K.'s FTSE 100 up 0.7% and Germany's DAX up 1%.

In Asia, China's Shanghai Stock Exchange was up 1.2%, while Korea's Kospi was trading 0.3% higher, though Hong Kong's Hang Seng dipped 0.5%.

Technology stocks led the gains in Europe, recovering some of the ground lost yesterday after Germany's Infineon said it would suspend deliveries to Huawei, sparking a selloff of European chip makers. Switzerland-listed AMS regained 4% this morning after dropping more than 13% on Monday.

The telecom sector also was in focus after Telecom Italia SpA stuck to its guidance, despite posting lower first-quarter earnings, driving its shares up 2%. In the U.S., Federal Communications Commission Chairman Ajit Pai on Monday said he would support the proposed \$26 billion tie-up between T-Mobile US and Sprint, removing one of the main hurdles to the merger. Sprint shares were down 1.8% in premarket trade on Tuesday after having jumped nearly 19% on Monday.

Meanwhile, the U.S. Commerce Department overnight said it would grant 90-day licenses for some companies to continue exporting to Huawei and its associates, providing some respite

after the crackdown on the Chinese telecom prompted a retreat from U.S. technology stocks, dragging down major indexes.

Last week's order effectively banned technology suppliers from exporting chips or other sensitive equipment to Huawei without a license, citing national-security concerns. To comply with the order, Alphabet's Google said it would restrict Huawei's access to certain features of its Android operating system, a move it later said had been put on hold after the Commerce Department delayed the ban.



U.S. officials said they would grant a handful of temporary exceptions to an export blacklist against Huawei; the reprieve eases tensions between the U.S. and China. PHOTO: CHINA STRINGER NETWORK/REUTERS

Jasper Lawler, head of research at London Capital Group, said Monday's selloff served as a reality check for the Trump administration, demonstrating how pervasive Huawei's goods are and how intertwined the group has become with its counterparts in the U.S.

"This won't be a one-day event. Huawei is entrenched on so many parts of the tech sector, this could take days or weeks to untangle," he said.

As tensions between the U.S. and China have ratcheted up in the past weeks, analysts have raised fresh concerns about the long-term outlook for the global economy. The Organization for Economic Cooperation and Development warned in a report on Tuesday that uncertainty over trade has derailed global growth over the past year and threatens to dampen future economic expansion.

The Paris-based research organization cut its forecast for 2019 global GDP growth to 3.2% from 3.3% and urged governments to resolve the current disputes or risk further disruption.

Analysts at UBS said the back-and-forth between China and the U.S. was making it difficult for investors to take a definitive position.

"Our framework suggests the market is currently trading close to the midpoint between a full-on trade war scenario and a full-resolution of the trade dispute."

In the U.K., the British pound sank to a four-month low against the U.S. dollar, amid renewed concerns about Brexit ahead of the European elections and a general strengthening of the dollar.

“With PM May’s tenure heading into the final stretch it appears unlikely that a last-ditch attempt to get her withdrawal agreement through parliament next month will be successful,” XTB’s chief market analyst David Cheetham said.

The WSJ Dollar Index, which tracks the dollar against a basket of 16 currencies, was up 0.2%.

The yield on 10-year U.S. Treasuries rose to 2.422% from 2.405% on Monday. Yields move inversely to prices. German 10-year government bonds were in negative territory at -0.077%.

In commodities, global benchmark Brent crude oil was up 0.5% at \$72.32 a barrel, while gold ticked down by 0.1%.

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