THE WALL STREET JOURNAL.

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U.S. MARKETS

Global Stocks Rally, With Hong Kong Leading the Way

Shares in Hong Kong leap on plan to withdraw a bill that sparked monthslong protests

By Will Horner

Updated Sept. 4, 2019 7:45 am ET

- *U.S. stock futures climb*
- *European, Asian stocks rise, led by Hong Kong*
- *British pound gains on vote in Parliament*

U.S. stock futures were higher Wednesday, following strong gains for global stocks amid political developments around the world that countered a set of weak economic data.

Futures on the S&P 500 were up 1% on Wednesday. The contracts don't necessarily predict moves after the opening bell.

The biggest rise came in Hong Kong, where stocks jumped as the city's Chief Executive Carrie Lam said she would formally withdraw the extradition bill that sparked monthslong demonstrations that have hurt the territory's economy. The Hang Seng Index rose 3.9% Wednesday, its biggest one-day gain since November.

A Hong Kong share index outside a local bank on Wednesday. **PHOTO:** VINCENT YU/ASSOCIATED PRESS

Wednesday's broad gains came despite a backdrop of weak global economic data. After a measure of factory activity in the U.S. slipped Tuesday, investors on Wednesday were parsing a mixed bag of data on the European service sector and awaiting U.S. trade data later in the session.

A survey of purchasing managers showed service-sector activity picked up in the eurozone last month. A similar survey for the U.K.—where the service sector plays a major role in the economy—showed the opposite, as activity fell, suggesting the British economy is edging closer to recession.

The eurozone figures were being scrutinized for how they might influence the European Central Bank when it hold its monetary policy meeting next week, where it is expected to move strongly to ease policy, said David Madden, a market analyst at CMC Markets UK, in a note.

The Stoxx Europe 600 rose 0.8% in midday trade. The German DAX rose 1% and the U.K.'s FTSE 100 gained 0.3%.

In Asia, blue-chip indexes also advanced, with the Shanghai Composite up 0.9%, Korea's Kospi up 1.2% as Japan's Nikkei edged up 0.1%.

The news from Hong Kong raised hopes of a return to stability after months of protests, and the Italian news was reducing another of investors' "worry factors," said Peter Dixon, a senior economist at Commerzbank.

"Taken on their own, none of these stories is particularly significant but together they perhaps ease some of the geopolitical fears that have dominated markets of late. That said, the trade war continues to rumble on so any relief could be short-lived," Mr. Dixon said.

The British pound's gains could also be short-lived, he added, with the vote in Parliament on Wednesday only potentially delaying the Brexit issue and raising the prospect of a general

“Things have changed but we aren’t getting any certainty or resolution on this issue,” he said. “We have thrown a great big rock into the puddle and all we have done is stirred up the mud.”

The latest numbers on the U.S. trade deficit are due later in the day, which could offer signs of the impact of the trade spat between the U.S. and China. Economists surveyed by The Wall Street Journal forecast the trade deficit narrowed to $53.7 billion in July from $55.2 billion in June.

The Federal Reserve will also release its beige book, a collection of business anecdotes from across the country.

Haven assets, which climbed after the U.S. manufacturing data, were falling again as investors returned to riskier stocks. Gold prices ticked lower after hitting six-year highs Tuesday. The precious metal declined 0.8% to $1,544.20 a troy ounce. The WSJ dollar index, which tracks the dollar against a basket of other currencies, also fell 0.3%.

The yield on the 10-year U.S. Treasury note ticked up to 1.495% from 1.469% on Tuesday, when it touched a one-year low. Bond prices and yields move in opposite directions. Government bonds yields have plumbed record depths across the world this year as investors have bet the U.S.-China trade conflict would hit growth.

While stocks have also suffered from economic concerns recently, they have so far dodged a broad selloff as the prospect of central-bank easing has increased their attractiveness, said Crit Thomas, global market strategist at Touchstone Investments.

“I can see an investor saying ‘I am going to keep my allocation to stocks because of the low interest-rate environment and because I have the Fed working for me, but also I am going to buy long bonds as a hedge so I kind of am playing both sides,’” Mr. Thomas said.

“This can only be maintained as long as earnings don’t get hit,” he said. “How well can earning hold up next year given the escalation in the trade war? I am the less optimistic guy on that.”

—Steven Russolillo contributed to this article.