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U.S. MARKETS

Global Stocks Weaken as China's Growth Slows

The Chinese economy last year expanded at its slowest pace since 1990

By Georgi Kantchev

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Global stocks lost momentum Monday after data showed that China's economy grew at its slowest pace in nearly three decades last year, the latest sign that the world economy is decelerating.

The Stoxx Europe 600 finished down 0.2%, snapping a four-trading-day winning streak. Asian markets trimmed gains after the Chinese data release, finishing slightly higher on the day.

U.S. markets are closed Monday for Martin Luther King Jr. Day. Futures for the S&P 500 were down 0.3%.

The world's second-largest economy grew 6.6% in 2018, the slowest annual pace China has recorded since 1990, official data showed Monday. The economic downturn, which has been sharper than Beijing expected, deepened in the last months of 2018, with fourth-quarter growth rising 6.4% from a year earlier.

The Chinese figures come amid a bruising trade fight with the U.S. and, coupled with lackluster numbers for America and Europe, paint a picture of a slowing global economy.

On Monday, the International Monetary Fund cut its forecasts for global economic growth in 2019 to 3.5% from 3.7% in previous forecasts released in October and from the 3.9% it had expected in July. The IMF said that "global expansion has weakened," pulled down by poor performance in Europe and some emerging markets.

Worries about growth hit market sentiment late last year, though stocks recovered some ground early in 2019 due to progress in the trade negotiations and reassurances by the Federal Reserve that it would adjust its pace of tightening monetary policy if the data worsens.



A trade dispute between the U.S. and China has weakened the outlook of the global economy. PHOTO: KOJI SASAHARA/ASSOCIATED PRESS

“The global economy and global trade are clearly slowing and that is dampening sentiment,” said Richard McGuire, head of rates strategy at Rabobank.

“Investors are trying to get a clearer picture through all the headline noise out there, whether it’s U.S.-China trade or Brexit. But overall, the uncertainty has a bearing on the market,” Mr. McGuire said.

Later in the week, European Central Bank President Mario Draghi is expected to acknowledge the darkening outlook in the eurozone after the bank’s policy meeting Thursday. In comments earlier in January, Mr. Draghi said recent data had been weaker than expected, although he argued that the eurozone probably would avoid recession.

U.K. Prime Minister Theresa May said Monday she will seek changes to her Brexit deal but added that negotiations won’t be delayed and that there won’t be a second referendum on Britain’s exit from the European Union. Mrs. May’s initial plan was soundly rejected by lawmakers last week, putting the process in jeopardy ahead of a March 29 deadline to leave.

The British pound wavered, recently trading up 0.2% against the U.S. dollar.

“The U.K. Government has made no progress at all in unearthing a solution to its impasse over the agreement to leave the EU. The pound may well still have more upside on good than downside on bad news, but there isn’t any good news around,” Kit Juckes, strategist at Société Générale, said in a note to clients.

Earnings were another focus for investors, with fourth-quarter results for Ford Motor Co. and International Business Machines on tap later this week.

Slightly more companies than usual have beaten analysts' estimates so far this earnings season, providing a source of support for the market. Around 76% of companies have reported above analysts' earnings expectations, compared with an average of 64% beating estimates in data going back to 1994, according to data from Refinitiv. The bar is significantly lower, however, after steep downgrades to fourth-quarter and 2019 earnings forecasts in recent weeks.

The WSJ Dollar Index, which tracks the dollar against a basket of 16 currencies, was up 0.1%.

In Asia, Hong Kong's Hang Seng Index rose 0.4% and Japan's Nikkei finished up 0.3%.

In commodities, Brent crude, the global oil benchmark, was down 0.5% while gold was down 0.4%.

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