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U.S. MARKETS

## Health-Care Rally Helps Lift Dow to Record Close

Blue-chip index finishes above 27000, while S&P 500 battles back to finish day higher

*By Michael Wursthorn and Nathan Allen*

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A rally in health-care stocks pushed the Dow Jones Industrial Average over 27000 for the first time after the Trump administration abandoned a plan to curb drug rebates.

The decision canceled a proposal that would have eliminated rebates from government drug plans, easing concerns of a massive disruption to the U.S. pharmaceutical industry. Shares of UnitedHealth [UNH 5.53% ▲](#) jumped 5.5%, leading the Dow industrials 227.88 points, or 0.8%, higher to 27088.08—its best close ever.

Broader stock indexes gave back some of their earlier gains in the afternoon following a jump in bond yields, which rise as Treasury prices fall. The S&P 500 moderated its gain to close up 6.84 points, or 0.2%, to 2999.91, also closing at a record but just short of its 3000 milestone, while the Nasdaq Composite declined 6.49 points, or less than 0.1%, to 8196.04.

Stocks have been supported this week as Federal Reserve Chairman Jerome Powell has doubled down on signaling the central bank could cut interest rates later this month. Speaking during a second day of congressional testimony, Mr. Powell reiterated the Fed's intention to "act as appropriate to sustain the expansion."

Although investors continue to disagree on how much the Fed will cut rates—opinions vary on whether the central bank will slash by a quarter of a percentage point or half of one—several said Mr. Powell's comments all but guarantee at least one rate cut as soon as this month. And that supports continuing to hold sizable positions in U.S. stocks, some money managers said.

"With the Fed looking almost certain to cut rates in the coming weeks, it is important to position portfolios properly regardless of the outcome," Mark Haefele, global chief investment officer at UBS Global Wealth Management, said in a note to clients on Thursday, recommending holding more stocks and cash over short-maturity U.S. government bonds.

Optimism around a rate cut helped push the Dow industrials on the last leg of its journey to 27000. While the milestone doesn't bare any significance on the market, the new high underscored stocks' wild ride since last year's selloff.

The Dow took 372 trading days to surpass 27000 from when it reached 26000 in January 2018. Stocks fell a month after that, entering correction territory. Stocks nearly recovered before the fourth quarter's punishing selloff unraveled the market's gains, nearly ending its bull run.

But 2019 has been different. Fed officials eased up on monetary tightening, announcing earlier this year it would hold rates steady to keep the economy growing. Resurgent trade tensions in May and deteriorating conditions in Europe and Asia now appear to be pushing the Fed to consider its first rate cut in more than 10 years.

The Dow industrials have risen 16% so far this year, while the S&P 500 has jumped nearly 20%, with much of those gains following the Fed's encouragements of a rate cut.



Shares of UnitedHealth rose, pushing the Dow industrials to triple-digit gains. PHOTO: MIKE BLAKE/REUTERS

On Thursday, shares of UnitedHealth gained \$13.68, or 5.5%, to \$261.16. Boeing, a trade-sensitive stock, also contributed to the

Dow's climb, rising \$6.70, or 1.9%, to \$359.

In the S&P 500, Cigna jumped \$14.83, or 9.2%, to \$175.34, cutting its year-to-date decline to 7.7%, while CVS Health [CVS 4.68%▲](#) added \$2.59, or 4.7%, to \$57.97. Despite the gains, the S&P 500's health-care sector struggled as shares of biotech firms, pharmaceutical companies and life sciences shops broadly declined.

Technology and industrial stocks also notched solid gains following Mr. Powell's comments, with those sectors gaining 0.3% and 0.7%, respectively.

U.S. government-bond yields, meanwhile, extended early gains after data showed that consumer prices rose in June, a sign inflationary pressures could be stabilizing after a period of weakness. Core inflation, which strips out volatile food and energy prices, rose faster than

expected, sending the yield on the benchmark 10-year U.S. Treasury note up to 2.122% from 2.061% a day earlier.

That nudged financial stocks higher, gaining 0.6%, as higher interest rates tend to make bank lending more profitable.

Elsewhere, minutes from the European Central Bank's June policy meeting showed that officials are likely to consider injecting fresh stimulus into the eurozone in light of weak inflation data. The minutes suggest policy makers will weigh cutting the bank's key interest rate or restarting its €2.6 trillion (\$2.92 trillion) bond-buying program.

Stocks in Europe edged lower, reversing an earlier gain, as the pan-continental Stoxx Europe 600 declined 0.1%, logging its fifth straight loss.

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