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U.S. MARKETS

Oil Skids Into Bear Market, While Stocks Rebound

Crude benchmarks drop despite Saudi push for production cuts



A screen showing stock movements at a securities firm in Hangzhou, China, on Monday. Chinese markets dropped sharply on the first day of trading after the extended Lunar New Year break. PHOTO: AGENCE FRANCE-PRESSE/GETTY IMAGES

By Alexander Osipovich and Anna Isaac

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U.S. stocks rebounded Monday after last week's steep decline, though oil prices continued to slide on concerns that China's coronavirus outbreak will reduce energy consumption.

The Dow Jones Industrial Average rose 143.78 points, or 0.5%, to 28399.81, reversing course from a sharp selloff last week. The S&P 500 gained 23.40, or 0.7%, to 3248.92. The Nasdaq Composite climbed 122.47, or 1.3%, to 9273.40.

With the bounce, the S&P 500 is back in positive territory for the year. A big drop Friday—the worst day for the broad-based index since August—had briefly wiped out its year-to-date gains for 2020.

Oil prices, meanwhile, fell on worries that the virus will continue to disrupt the world's second-largest economy. U.S. crude oil futures fell \$1.45, or 2.8%, to settle at \$50.11 a barrel on Monday. They are now down more than 20% from their recent peak in early January.

Futures on Brent crude, the global oil benchmark, fell \$2.17, or 3.8% to \$54.45 a barrel, their lowest settle in more than a year and more than 20% below where they were in September.

Saudi Arabia is pushing for significant oil-production cuts in a bid to prop up prices, according to OPEC officials. Representatives of the Organization of the Petroleum Exporting Countries and its allies are set to meet Tuesday and Wednesday to discuss next steps.

U.S. stock investors may have seen Friday's selloff as a buying opportunity, said Michael Mullaney, director of global markets research at Boston Partners. He noted that with past outbreaks, such as severe acute respiratory syndrome, or SARS, stocks have tended to drop initially, only to bounce back once the rate of new infections slows.

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“Once you see a slowdown in the uptick of new cases, historically the market has generally done quite well after that,” Mr. Mullaney said.

Chinese authorities have quarantined millions of people to contain the virus, which has infected more than 17,000 people and has been linked to more than 360 deaths. Major global airlines have suspended flights to mainland China.

Chinese markets tumbled sharply Monday, the first day of trading following the extended Lunar New Year break. The Shanghai Composite Index closed 7.7% lower in its steepest drop since August 2015, with many stocks dropping by the maximum 10% that is allowed. But the move had been largely expected because Chinese markets closed just as the outbreak was beginning to draw widespread attention.

Investors were also closely watching Monday's presidential caucuses in Iowa for insights into whether a candidate who supports a bigger role for government may beat out rival Democratic contenders. The state is expected to play a key role in winnowing down the field of Democratic candidates as the party chooses who will take on President Trump in November.

“Markets have previously reacted quite strongly when left-wing populist Democratic candidates have performed well,” said Oliver Jones, market economist at Capital Economics.

In an upbeat sign for the U.S. economy, new data showed the U.S. factory sector improved in January, moving into expansionary territory for the first time since July.

The Institute for Supply Management said Monday that its manufacturing index rose to 50.9 in January from 47.2 in December. Readings above 50 indicate activity is expanding across the manufacturing sector, while those below 50 signal contraction. Manufacturing has been a weak spot for the U.S. economy, which has continued growing over the past year largely on the strength of consumer spending.

In corporate news, Tesla shares jumped \$129.43, or 20%, to a record close of \$780 after analysts at Argus Research and ARK Invest raised their price targets for the electric-car maker.

Gilead Sciences climbed \$3.16, or 5%, to \$66.36. The drugmaker on Friday said it had provided doses of an experimental antiviral drug to doctors for the emergency treatment of a small number of patients infected by the coronavirus.

Exxon Mobil shares slid \$1.39, or 2.2%, to \$60.73 after analysts at Goldman Sachs cut their rating on the energy giant to “sell” from “neutral.” Slumping oil prices also weighed on Exxon, making it the second-worst performer in the Dow on Monday.

In the U.K., the British pound fell 1.6% against the U.S. dollar. The move reflected concerns about fresh trade talks between the European Union and the U.K., said Jordan Rochester, a foreign-exchange strategist at Nomura Holdings.

The U.K. formally exited the EU Friday and entered into a transition period. Both sides fired opening salvos on Monday as they begin the complex negotiations that will determine the terms of their future relationship.

The pan-European Stoxx Europe 600 gained 0.2%.

“We expect a tough talk in the opening rounds of the Brexit talks,” Mr. Rochester said. “Today, the EU and the U.K. are setting out their stalls.”

—*Steven Russolillo contributed to this article.*

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