

U.S. MARKETS

S&P 500 Climbs on Strength in Industrial Sector

Investors start the week with a close eye on trade negotiations with China, as U.S. officials arrive in Beijing

By Akane Otani and Michael Wursthorn

Updated Feb. 11, 2019 10:54 a.m. ET

Rising shares of industrial companies pulled the S&P 500 slightly higher Monday, even as trade tensions simmered ahead of another round of negotiations with China.

Aluminum-parts manufacturer Arconic and railroad company Norfolk Southern rose more than 2% in early trading, triggering more modest gains throughout the S&P 500's industrial sector. Corporate news out of those companies precipitated the moves—Arconic said Friday it would spin off one of its main two businesses, while Norfolk Southern unveiled a strategic plan that included boosting its dividend.

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But the stock market's gains appeared to be tempered by the possibility of renewed trade tensions between the U.S. and China. Investors are starting the week with a close eye on trade talks between Washington and Beijing, with U.S. Trade Representative Robert Lighthizer and Treasury Secretary Steven Mnuchin

landing in Beijing Monday and scheduled to meet with China's vice premier later in the week.

The talks could spark fresh volatility for financial markets. Stocks rose in January on fresh hopes that the U.S. and China would be able to carve out a trade deal, but some of that optimism appeared to lose steam last week as investors parsed a stream of downbeat economic data.

“There's this belief that this is going to very quickly resolve itself, and I think the reality is that there are very complicated long-term issues on the trade relationship between the two most powerful economies around the world,” said Jonathan Golub, chief U.S. equity strategist at Credit Suisse.

Although economic growth in the U.S. still looks relatively steady, Mr. Golub cautioned that an unexpected breakdown in trade talks remain a major market risk.

“I’m actually quite optimistic about the broad backdrop—but that doesn’t mean that there’s no risk,” he said.

The S&P 500 rose 0.1% in recent trading, paring some of its earlier gain. The Dow Jones Industrial Average turned negative after opening higher, and was recently down 33 points, or 0.1%, to 25072. The Nasdaq Composite has held on to its gain, and was up 0.2%.

Industrial stocks in the S&P 500 were the chief contributor the broad index’s small gain Monday. Norfolk Southern added 3.5% to lead the sector higher after it unveiled a strategic plan focused on increased productivity and revenue growth, as well as achieving a dividend payout ratio of 33%.

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Arconic rose 2.1% after the company said Friday that it would spin off either its aluminum-sheet rolling or aerospace-components unit.

Weighing on major index’s were small declines among energy and health-care stocks, as well as shares of utility companies.

Although the pace of earnings releases has begun to slow down, investors are expecting to get quarterly results from companies including Vornado Realty Trust and Everest Re Group after the closing bell Monday.

Elsewhere, the Stoxx Europe 600 rose 0.8%, while major indexes in Asia ended mixed.

Data Monday showed U.K. gross domestic product grew last year at the slowest pace since 2012. The British pound fell to session lows following the report, although it pared its losses to trade down 0.1% against the U.S. dollar. The FTSE 100—whose multinationals tend to benefit from a weaker pound—rose 0.3%.

In Asia, the Shanghai Composite jumped 1.4% to a two-month high, while Japan’s Nikkei Stock Average was shut for a holiday and Hong Kong’s Hang Seng rose 0.6%.

Write to Akane Otani at akane.otani@wsj.com and Michael Wursthorn at Michael.Wursthorn@wsj.com