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U.S. MARKETS

S&P 500 Hits Four-Month High on Economic Data

Indexes lifted by fresh signs of stability in the manufacturing sector and muted inflation

By Amrith Ramkumar and Avantika Chilkoti

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U.S. stocks rose Wednesday, propelling the S&P 500 to a four-month high after economic data showed fresh signs of stability in the manufacturing sector and muted inflation.

Renewed faith in U.S. economic growth and a patient approach by the Federal Reserve regarding interest-rate increases have powered this year's stock rebound, pushing the S&P 500 up 12% for the year and within 4.1% of its September record.

Despite slowing growth overseas, some analysts expect stable economic activity and the Fed's cautious stance to keep markets supported moving forward. Wednesday's market rally was broad, with every S&P 500 sector climbing, led by the health-care, energy and industrial groups.

"People are comfortable with the market," said Mohit Bajaj, director of ETF trading solutions at WallachBeth Capital. "The move this week has given a lot of people confidence."

The S&P 500 climbed 19.4 points, or 0.7%, to 2810.92, logging a third consecutive advance and its highest close since Nov. 7 after falling in every session last week. The Dow Jones Industrial Average climbed 148.23 points, or 0.6%, to 25702.89.

The tech-heavy Nasdaq Composite rose 52.37 points, or 0.7%, to 7643.41, posting its highest close since Oct. 16.

Data Wednesday showed demand for long-lasting goods produced by U.S. factories rose in January for the third consecutive month, a sign of momentum for manufacturers.

And producer prices edged higher last month, the latest sign that underlying inflation pressures remain tepid and a positive development for investors hoping contained inflation will prevent the Fed from raising rates this year.

After worries about a sharp economic slowdown roiled markets last quarter, analysts have said data early in the year has pointed to more gradual weakness that won't drastically crimp companies' revenue growth.

"Things have generally by and large not been as bad as feared," said Christopher Mack, a portfolio manager who helps manage the Harding Loevner Global Equity Fund.

Bond yields stabilized after Wednesday's data, with the yield on the benchmark 10-year U.S. Treasury note climbing to 2.612% from 2.605% a day earlier. Yields rise as prices fall. They had dropped to a two-month low following Friday's weaker-than-expected hiring data.

Shares of Boeing were also sturdy, erasing an earlier drop to close up $1.73, or 0.5%, at $377.14 even after President Trump said the U.S. would join several other countries in suspending flights of the Boeing 737 MAX. The model was involved in a second deadly crash in less than five months Sunday. The largest component in the price-weighted Dow, Boeing has fallen 11% this week.

Shares of the aerospace company are still up 17% for the year, part of a resurgence in cyclical stocks tied to the health of the economy.

The recent rally in technology and internet stocks, with the S&P 500 information technology sector bringing its rise to 3.4% this week with Wednesday's climb, has also given investors confidence that stocks can keep advancing.

The market's most popular names from Amazon.com to Apple are now up 13% or more for the year, closing the gap on the rest of the sector.

"When those stocks perform well, it makes people think the market is in a strong position," Mr. Bajaj said.

Some analysts remain concerned that slow economic activity overseas could ripple to the U.S. as trade talks between the U.S. and China continue. Stocks pared some of their earlier advance after Mr. Trump said he is in no rush to make a deal with China.

After the European Central Bank slashed its 2019 eurozone growth forecasts last week while unveiling new stimulus measures, uncertainty about the U.K.'s departure from the European Union has swung markets in recent days.

The U.K. parliament unexpectedly ruled out a no-deal exit from the European Union on Wednesday, likely eliminating the prospect of a chaotic U.K. departure from the bloc that many businesses have depicted as a worst-case scenario for the country's economy. The U.K. also cut

A Wall Street sign in front of the New York Stock Exchange. Faith in U.S. economic growth and the Fed's patient approach to setting interest-rate policy have powered this year's stock rebound. PHOTO: VICTOR J. BLUE/BLOOMBERG NEWS

its forecasts for 2019 economic growth Wednesday to 1.2% from 1.6%.

"The questions surrounding China, the strength of the economy, the Chinese trade wars and Brexit all combined is particularly sensitive for Europe," said David Slater, a portfolio manager at London hedge fund Trium Capital.

The British pound trimmed some of its recent slide against the dollar Wednesday, and the U.K.'s FTSE 100 was slightly higher.

The Stoxx Europe 600 added 0.6%.

Asian stocks were mostly lower, with the Shanghai Composite down 1.1%, Hong Kong's Hang Seng Index dipping 0.4% and Japan's Nikkei dropping 1%.

Write to Amrith Ramkumar at amrith.ramkumar@wsj.com and Avantika Chilkoti at Avantika.Chilkoti@wsj.com