https://www.wsj.com/articles/asian-stocks-rise-as-u-s-and-china-reach-a-trade-truce-1543794233

U.S. MARKETS

Stocks, Oil Rise as Trade Tensions Ease, but Bonds Signal Anxiety

Indications that the U.S. and China were both open to pursuing further talks help reassure investors

By Akane Otani and Georgi Kantchev

Updated Dec. 3, 2018 5:42 p.m. ET

Global stocks and oil prices flew higher Monday after an easing of geopolitical tensions, but bond investors signaled the anxiety that has gripped markets for the past two months has yet to abate.

The divergent market paths emerged after President Trump and Chinese President Xi Jinping reached a deal Saturday to temporarily spare Beijing from tariffs that were planned to go into effect at the start of 2019. Investors received more good news over the weekend when Russia and Saudi Arabia agreed to extend the global cartel's efforts to stabilize oil markets.

The Dow Jones Industrial Average and S&P 500 both climbed 1.1%, while U.S. crude oil surged 4%—its biggest one-day gain since June.

Yet the yield on the 10-year U.S. Treasury note, which typically rises with stocks when investors are optimistic about growth, closed below 3% for the first time since September.

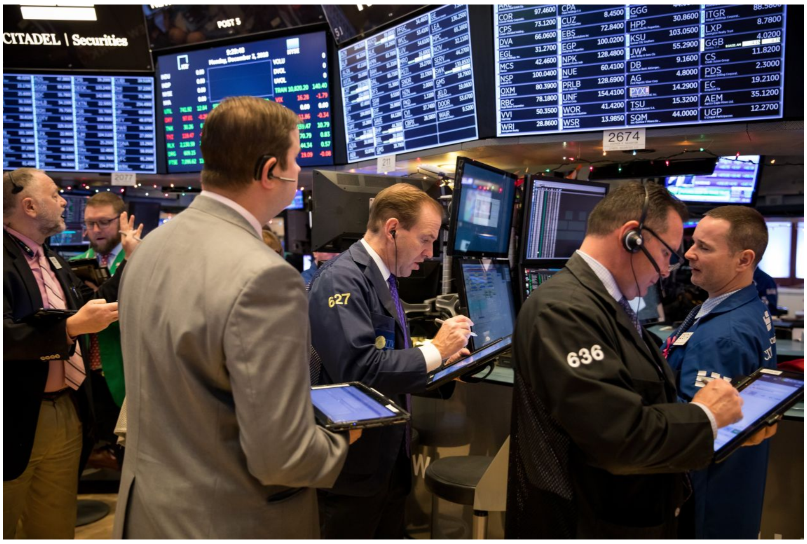
That slide squeezed the difference between 10-year and two-year Treasury yields to around 0.16 percentage points—the narrowest gap since 2007 and a sign many investors are pricing in slower growth ahead. Other assets that tend to retreat when investors are feeling confident rallied, with gold prices posting their biggest one-day gain in a month.

Markets' mixed messages Monday led some observers to say there isn't likely to be much of a respite from the kind of volatility that has shaken investors this fall and led some to question the durability of the nine-year-old bull market for stocks.

With or without a trade resolution, both global and domestic growth appears to be slowing. And although stocks rallied last week, lifted by bets that the Federal Reserve would raise rates more slowly than initially expected, many say the central bank's path remains uncertain.

“I hadn't talked to many people who were ready to cannonball in,” said Michael Antonelli, equity sales trader at R.W. Baird & Co. “The trade war is a diversion from the real problem, Stoxx 600 **361.18** 1.03% ▲ U.S. 10 Yr **3/32 Yield** 2.959% ▲ Euro **1.1387** 0.30% ▲

Markets had been on edge throughout November. U.S. crude oil logged its worst month since 2008, 10-year Treasury yields slid and stocks wavered between gains and losses.



Traders working on the floor of the New York Stock Exchange on Monday. **PHOTO:** MICHAEL NAGLE/BLOOMBERG NEWS

Analysts had attributed some of that choppiness to market-specific concerns, such as fears of an oil glut and worries about sliding technology shares. But many also had said that the prospect of trade tensions slowing global growth had kept markets under pressure throughout much of the year.

“After a few rough months, we were due for a relief rally and the trade news is helping fuel it,” said Geoffrey Yu, head of the London investment office at UBS Wealth Management. “Trade has been a major headwind for markets and that has now been alleviated to some extent.”

Indications that the U.S. and China were open to pursuing further talks helped reassure investors that the two countries are able to avert a worst-case scenario. Ahead of the Trump-Xi meeting, some forecasters didn’t think the tariff increase could be avoided.

“Trade is a big deciding factor for markets because it affects profit growth, so the U.S.-China willingness to continue talks is certainly positive,” said Sam Stovall, chief investment strategist at CFRA.

After the gains of the past week, the S&P 500 is up 4.4% for the year, while the Dow industrials have risen 4.5% and the Nasdaq Composite has advanced 7.8%.

Technology shares that had been pummeled in recent weeks rebounded Monday as well, with Amazon.com jumping $82.19, or 4.9%, to $1,772.36 and Apple climbing 6.24, or 3.5%, to 184.82. Auto shares rallied, too, with General Motors and Ford Motor each adding more than 1%.

Trade-focused economies in Asia and other emerging markets gained. The conflict between the U.S. and China had heavily hit stocks and currencies in those regions.

while China's Shanghai Composite gained 2.6% and South Korea's Kospi added 1.7%.

- Putin Agrees With Saudis to Renew OPEC Pact
- Qatar Says It Will Withdraw From OPEC
- American Exceptionalism May Be Ending—at Least in Stocks
- Stocks Seek Leadership as 2018 Winds Down

Some analysts cautioned that even with the temporary deal between the U.S. and China, markets could still lose steam in the coming months. Even though the two countries have managed to work out a short-term truce, they still have yet to resolve broader differences, analysts and economists said.

"The result is better than the market expected, but the huge divide remaining continues to suggest a bumpy ride ahead," said Citigroup China economist Li-Gang Liu, pointing to differences in the Chinese and U.S. accounts of the deal.

—Mike Bird contributed to this article

Write to Akane Otani at akane.otani@wsj.com and Georgi Kantchev at georgi.kantchev@wsj.com