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U.S. MARKETS

# Stocks Climb on Strong Retail Earnings

Minutes from the Federal Reserve's latest meeting showed officials stressed the need to be flexible with policy

*By Gunjan Banerji, Avantika Chilkoti and Jessica Menton*

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U.S. stocks climbed Wednesday as strong earnings reports from retailers eased some of the fears about slowing economic growth.

Bond and equity markets have been gloomy about global growth in recent weeks, with many investors expecting a cycle of monetary easing from leading central banks. Some of the anxieties surrounding growth were tempered after retailers, including Target and Lowe's, posted their latest quarterly results.

The Dow Jones Industrial Average climbed 240.29 points, or 0.9%, to 26202.73, while the S&P 500 jumped 23.92 points, or 0.8%, to 2924.43. The Nasdaq Composite advanced 71.65 points, or 0.9%, to 8020.21.

Target shares soared 20%, setting a new high, after it raised its earnings guidance for the year and reported that sales and profit rose in the second quarter. Lowe's also reported higher profits that beat analysts' estimates, pushing shares up 10%. The consumer discretionary and technology sectors within the S&P 500 were the biggest winners.

"There has been this very big imminent recession narrative that's taken hold of the market," said R.J. Grant, director of equity trading at KBW. The latest earnings show "that the consumer is a lot healthier than people think."

Stocks maintained their gains after minutes from the Federal Reserve's latest meeting showed officials stressed the need to be flexible with how they might act to lower interest rates in the months ahead.

Yields on short-term bonds, which are particularly sensitive to the outlook for interest rates, rose after the release of the minutes. The yield on the two-year Treasury note settled at 1.569%, compared with 1.515% Tuesday. The yield on the 10-year note inched up to 1.577% from 1.557%.

Investors closely watch the gap between the two yields because recessions have often followed times when the yield on the longer-term note has exceeded that of the shorter-term bond, as it did briefly last week.

“The market seems to be reacting positively not only to the underlying fundamentals of the retailers and that they’re strong, but also that the institutions both on a fiscal and monetary basis stand ready to do what needs to be done to keep the expansion going in the U.S.,” said Thomas Martin, a senior portfolio manager at Globalt Investments

The Fed has been a primary driver for markets in recent weeks. Fed Chairman Jerome Powell is set to speak Friday in Jackson Hole, Wyo., at the Fed’s annual economic policy symposium.

Analysts will be watching closely for insights into the debate surrounding last month’s rate cut, as many, including Leslie Sita, portfolio manager in Lombard Odier IM’s fundamental fixed income team, flagged concerns around the president’s criticism of Mr. Powell.

“ Trump has made it clear he didn’t like Powell’s policy,” she said, adding that strategists at Lombard Odier are forecasting a cut of 50 basis points at the next meeting. “Even if Powell was wanting to mention that he’s independent in the way he does things, obviously the pressure was there.”

Investors also welcomed possible political changes in Italy. The Stoxx Europe 600 climbed 1.2%, a day after the country’s prime minister resigned.



The yield on Italian government debt reached its lowest level in around three years Wednesday, continuing to drop after Prime Minister Giuseppe Conte resigned Tuesday, triggering a power struggle within the government in Rome at a time when growth is faltering.

Italy’s benchmark FTSE MIB equities index outperformed other indexes in the region.

In commodities, the price of Brent crude rose 0.4% to settle at $60.30 a barrel as tensions in the Strait of Hormuz threatened global supplies while analysts worried global trade concerns could cap demand for oil in the coming months.

The New York Stock Exchange. Bond and equity markets have been gloomy about global growth in recent weeks. PHOTO: JOHANNES EISELE/AGENCE FRANCE-PRESSE/GETTY IMAGES

**Write to** Gunjan Banerji at Gunjan.Banerji@wsj.com, Avantika Chilkoti at Avantika.Chilkoti@wsj.com and Jessica Menton at Jessica.Menton@wsj.com