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U.S. MARKETS

Stocks Edge Lower, Pulled Down by Health-Care Shares

Insurers and drug companies have tumbled lately on fears that any tightening of regulations will crimp profits

By Paul J. Davies and Amrith Ramkumar

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U.S. stocks edged lower, dragged down by the latest slide in health-care shares, despite stronger-than-expected Chinese economic data.

Major indexes have wobbled near peaks so far this week, hurt by the deepening rout in health-care stocks. Shares of insurers and drug companies have tumbled lately on fears that tighter regulations pushed by politicians on both sides of the aisle will crimp profits moving forward.

The S&P 500 health-care sector fell 2.9% Wednesday, dropping into negative territory for the year and bringing its slide so far in April to 6.6%.

The S&P 500 closed down 6.61 points, or 0.2%, at 2900.45. The index is up 16% for the year and 1% below last year's record. The Dow Jones Industrial Average inched down 3.12 points, or less than 0.1%, to 26449.54. The tech-laden Nasdaq Composite edged down 4.15 points, or less than 0.1%, to 7996.08.

The muted moves came after figures Wednesday showed China's economic growth held at a 6.4% rate in the first three months of the year, as factory production picked up significantly. That headline number was slightly stronger than economists had expected.

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Efforts to stimulate economic activity in China have broadly supported stocks and other risk assets, investors said. The stimulus efforts and the Federal Reserve's pause in interest-



The Central Business District in Beijing. PHOTO: ROMAN PILIPEY/EPA/SHUTTERSTOCK

rate increases have boosted confidence in global growth, easing fears of a widespread slowdown in economic activity.

At the same time, some investors are hopeful that a U.S.-China trade deal will further support economic and earnings growth. China, the world's second-largest economy, is a key consumer of many

commodities and products. Some analysts still expect its rate of growth to slow but now think government spending will keep key drivers of the economy steady.

“We have our doubts about the headline official data, but they confirm what our deeper analysis is showing: The government has had little choice but to ramp up state-sector investment spending,” said Diana Choyleva, chief economist at Enodo Economics.

In a sign that investors are feeling more confident about the global economy, most-active copper futures rallied 1.3%. The metal critical to construction and manufacturing surged to their highest levels since last summer with its latest advance.

Chip makers reliant on Chinese demand also rallied, with semiconductor stocks getting a further boost late in Tuesday's session when Apple and Qualcomm agreed to dismiss all litigation between the two companies and forged a new license agreement.

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Qualcomm shares surged \$8.63, or 12%, to \$79.08 Wednesday, after adding 23% a day earlier.

Investors were also weighing the latest earnings results.

Netflix shares were volatile and ended down \$4.72, or 1.3%, at \$354.74 after the streaming company exceeded first-quarter targets but gave soft projections for the current period.

As reporting wrapped up for the largest banks, Morgan Stanley shares climbed \$1.24, or 2.6%, to \$48.26 following the firm's stronger-than-expected profit and sales figures.

PepsiCo and United Continental Holdings were among the companies also climbing after their latest quarterly results.

Although first-quarter earnings for S&P 500 companies are expected to drop from a year earlier, some analysts have said results so far have generally been stronger than anticipated.

“It can be an OK earnings season,” said JJ Kinahan, chief market strategist at TD Ameritrade. “The fear was this was going to be a disaster from the onset.”

Among market laggards Wednesday, shares of International Business Machines fell \$6.03, or 4.2%, to \$139.11 after the technology company reported a third consecutive quarter of declining revenue.

Elsewhere, the Stoxx Europe 600 climbed 0.1%, extending a recent winning streak and closing at its highest level since early August.

In Asia, the Shanghai Composite and Japan’s Nikkei Stock Average both edged up 0.3%.

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