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U.S. MARKETS

Stocks Extend Gains on Fed Decision

Major indexes climb to highest level since early December as Apple, Boeing rally on earnings results

By Amrith Ramkumar and David Hodari

Updated Jan. 30, 2019 7:23 p.m. ET

The Dow Jones Industrial Average surged more than 430 points Wednesday, logging its highest close since early December, after the Federal Reserve left interest rates unchanged and signaled further increases are on hold.

Stocks started the day higher as technology and internet shares rallied on earnings reports from Apple and Advanced Micro Devices. The gains accelerated in afternoon trading following the Fed statement and cautious comments from Chairman Jerome Powell.

Soothing remarks from Fed officials about remaining patient in raising interest rates have fueled this month's stock-market rebound, easing the worries of some investors who had feared tighter financial conditions would crimp economic activity entering the year. Similar reassurances about flexibility in running off the central bank's balance sheet have also lifted stocks, which are on track for their best January since 1989 heading into the month's final session.

Wednesday's statement dropped explicit references to rate increases, an encouraging development for analysts anxious about higher rates slowing the economy. In his press conference, Mr. Powell reiterated the need for a patient approach given current economic risks, another positive for investors after some of his comments last year were interpreted as somewhat aggressive.

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"Anyone who wanted them to be more accommodative is very happy with this statement," said Ellen Hazen, a portfolio manager at F.L.Putnam Investment Management. "There's everything

for the doves today.”

The Dow industrials rose 434.90 points, or 1.8%, to 25014.86—its highest close since Dec. 4. The S&P 500 added 41.05 points, or 1.6%, to 2681.05 and the tech-heavy Nasdaq Composite rose 154.79 points, or 2.2%, to 7183.08. All three gauges had their best day since Jan. 4 and are up about 7% or more for the month, on track for their largest monthly climb since October 2015.

Renewed faith in the U.S. economy has also powered this month’s rally and helped overshadow trade tensions with China and stagnating growth overseas. Data on Wednesday showed the private sector added more jobs than anticipated this month. Analysts are looking ahead to Friday’s jobs report for the latest reading on economic activity, after December data showed robust hiring, steady wage growth and continued low unemployment.

Some investors say U.S. growth is still strong enough to support corporate profits without forcing the Fed to become more aggressive, a favorable combination even though global economic activity is generally slowing.

“Those concerns can still be fairly well mitigated by that slow and steady growth in the U.S.,” said Eric Schoenstein, a portfolio manager at Jensen Investment Management. “Most of the economic data still appears to be reasonably positive.”

Comments from executives on fourth-quarter earnings calls have also lifted sentiment.

Apple shares climbed 6.8% even after the company posted its first holiday-quarter decline in revenue and profit in more than a decade and warned the slowdown in its core iPhone business and weakness in China has spilled into this year. Analysts cited optimistic comments from Chief Executive Tim Cook on the company’s earnings call and low expectations heading into the report. The stock is still down 23% in the past three months.

Aerospace giant Boeing added 6.3% after topping quarterly profit targets and giving an upbeat outlook for 2019. The company said it expects sales to rise as much as 10% this year. “We’ve continued to see strong demand signals,” Boeing Chief Executive Dennis Muilenburg said on the company’s earnings call.

Chip maker AMD surged 20% after projecting stronger-than-expected revenue for the year. Insurer Anthem climbed 9.1% after it said it will accelerate the launch of its in-house pharmacy-benefit manager to March, a move that sharply pushed up its projected earnings for 2019.

In another optimistic sign for bullish technology investors, Facebook shares rose 11% after hours on the social-media network’s record quarterly profit.

Investors have rewarded companies after their earnings reports more frequently than normal this reporting season following the worst quarter for stocks since 2011. Even shares of companies that miss expectations are performing better than normal.

“The market looks much more attractively priced right now than where it was three or four months ago,” said Michael LaBella, head of global equity strategy at QS Investors. “Investors are giving companies the benefit of the doubt because of their very cheap valuations.”

Still, analysts say slowing growth in Europe and China is likely to contain the market rebound as trade talks between the world’s two largest economies continue. As part of this week’s negotiations in Washington, President Trump is scheduled to meet with the head of the Chinese delegation, Vice Premier Liu He.

In the latest signal of tepid economic activity overseas, figures Wednesday showed the French economy slowed sharply last year, a trend that bodes ill for the eurozone’s outlook for 2019.

Additionally, some investors worry that the Fed’s shift to a more cautious stance between its December and January meetings could lead to another market reversal if economic data forces the central bank to be more aggressive later in the year. About 11% of investors now expect at least one interest-rate increase in 2019, down from about 24% a week ago, CME Group data show.

“The key risk to [Fed officials] being so dovish in this statement is that if inflation starts to pick up in the coming months, they’re going to have to do what might look like a reversal of course,” Ms. Hazen of F.L.Putnam said.

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