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U.S. MARKETS

Stocks Finish Higher, Erasing Earlier Losses

S&P 500, Dow Jones industrials rebound after following European shares lower

By Michael Wursthorn and Georgi Kantchev

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The Dow Jones Industrial Average swung higher Monday as a rally in technology stocks helped the blue-chip index recoup an earlier 500-point loss that would have pulled it into correction territory.

Shares of Apple , Microsoft and International Business Machines notched gains, helping to steady the index, which has tumbled in the fourth quarter on worries about slowing global growth, rising interest rates and trade-related tensions.

The Dow closed up 34.31 points, or 0.1%, to 24423.26, after bouncing 619 points from its low to its high point. The index appeared poised earlier in the session to fall into correction territory—typically defined as a tumble of at least 10% from a recent high—before staging its rally. The Dow remains off 9% from its Oct. 3 record.

"This is a tough market," said Steve Chiavarone, who runs Federated Investments' global allocation fund. He added global tensions are leading investors to price "in a recession where you see some stocks down 30% or 40%."

Mr. Chiavarone has cut his stock portfolio in recent months but continues to favor equities over other asset classes, forcing him to contend with the market's massive bouts of volatility.

"We pulled in the reins a bit, but you've got to be tilted in the direction where the fundamentals point and they don't say we're headed for a recession," he added.

Major indexes were under pressure most of the day as investors worried that tensions would be ramped up by U.S. Trade Representative Robert Lighthizer's pledge on Sunday to enact further tariffs and sanctions against China if the two countries can't reach a deal by the end of the 90-day truce.

Tumbling oil prices and British Prime Minister Theresa May's decision to delay a vote on her government's Brexit bill added to investors' global anxieties and helped pull the Dow industrials down as much as 508 points at one point.

A trader on the floor of the NYSE last week. Risk appetite has waned in recent weeks. **PHOTO:** RICHARD DREW/ASSOCIATED PRESS

Still, investors worry that ongoing geopolitical tensions and the Federal Reserve's campaign of interest rate hikes are putting the U.S. on a slower growth path, leading many to pare back riskier investments.

While economic indicators continue to portray a growing U.S. economy, albeit at a slightly slower rate, recent pronouncements from a number of U.S. companies, including Coca-Cola , DowDuPont and Chevron , around rising commodities and materials costs have contributed to the fear of an economic slowdown, analysts said.

Various tariffs enacted by the Trump administration haven't helped, with American companies paying record amounts in customs duties to import products.

And with just over three months until the U.K. is scheduled to leave the European Union, the government's continued wrangling over an exit deal has only added to the uncertainty, investors added.

The S&P 500 added 4.64 points, or 0.2%, to 2637.72, while the Nasdaq Composite rose 51.27 points, or 0.7%, to 7020.52.

Smaller stocks, meanwhile, weren't able to recoup their losses. The Russell 2000 index of small-cap stocks fell 4.99 points, or 0.3%, to 1443.09, hitting its lowest closing value in more than a year.

Energy stocks in the S&P 500 fell 1.6%, which coincided with a 3.1% pullback in crude oil prices to $51 a barrel.

Financial stocks also stumbled, with lenders in the S&P 500 extending their quarterly losses to nearly 11% as expectations for slower growth and an inversion of shorter-dated Treasury yields weighed on the sector.

points, putting the long-dated bond dangerously close to inverting, which would be a signal of a recession, analysts said.

“A yield curve inversion carries a tremendous amount of power in the markets,” said Tony Roth, chief investment officer of Wilmington Trust, a Delaware-based asset-management firm. “That’s having a pretty big impact on investors as well.”

Offsetting those losses were rising shares of technology companies.

Apple added $1.10, or 0.7%, to $169.60, while Microsoft rose 2.77, or 2.6%, to 107.59. IBM gained 1.79, or 1.5%, to 121.13.

Defense stocks were also a bright spot, with Northrop Grumman and Lockheed Martin rising more than 4% on reports the Pentagon will boost its budget request.

Stocks in Europe, meanwhile, closed at their lowest value in more than two years after Mrs. May decided to postpone the vote on her government’s Brexit bill. The Stoxx Europe 600 fell 1.9%, putting it off more than 18% from its April 15 record, leaving the index near bear-market territory, or a drop of 20% or more from a recent high.

The losses follow a bruising week that sapped more than 4% from each of the major U.S. indexes. Both the Dow industrials and the S&P 500 are in the red for 2018, putting the two on pace for their worst year since 2015.

Investors increasingly expect major indexes to continue to struggle for the remainder of the year, and more money managers are paring back their expectations for 2019.

BlackRock, for example, expects global growth to slow in 2019 and corporate profits to moderate, putting stocks on a path to likely eke out a positive return, Richard Turnill, the asset manager’s global chief investment strategist, wrote in a report.

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