

DOW JONES, A NEWS CORP COMPANY

Nikkei **22848.22** 0.15% ▲Hang Seng **28356.51** 0.02% ▲U.S. 10 Yr **3/32 Yield** 2.871% ▲Crude Oil **68.50** -0.04% ▼Yen **111.16** -0.03% ▼

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<https://www.wsj.com/articles/global-stocks-rise-as-u-s-mexico-near-trade-deal-1535441750>

U.S. MARKETS

Stocks Get Small Boost From Trade Deal

The S&P 500 and Nasdaq Composite inch up to record closes

By *Jon Sindreu and Allison Prang*

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U.S. stocks rose Tuesday after the U.S. and Mexico agreed on a deal to revise the North American Free Trade Agreement.

The Dow Jones Industrial Average gained 14.38 points, or less than 0.1%, to 26064.02. The S&P 500 added 0.78 point, or less than 0.1%, to 2897.52 and the Nasdaq Composite rose 12.14 points, or 0.2%, to 8030.04, with both indexes closing at new records. The Nasdaq's increase comes a day after the technology-heavy index closed above 8000 for the first time.

The threat of what many analysts call protectionist U.S. policies has damped global market sentiment through most of this year. The outcome of the Nafta deal is seen by some as a bellwether for President Trump's future dealings with China.

The prospect of Mr. Trump successfully negotiating new trade deals is likely to be taken by investors as a hopeful sign that a major trade war will be avoided, analysts said.

Kristina Hooper, chief global market strategist for Invesco, said the market "positively overreacted" to the news concerning U.S. and Mexico and that stocks were "really taking a breather" following Monday's increases.

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Investors have shown they are worried about the trade scenario, she said. "Otherwise, we wouldn't see a positive reaction." With trade, the market wants to grab onto positives and "ignore the downside of the Trump



A worker walks past a steel coil loaded on a truck at a plant in Monterrey, Mexico, on Aug. 27. PHOTO: JULIO CESAR AGUILAR/AGENCE FRANCE-PRESSE/GETTY IMAGES

administration's trade policy," she said.

Some money managers remained unconvinced that trade frictions have eased substantially after Mr. Trump said Monday that Canada would be severed from the North American trade area if necessary.

Christian Lawrence, senior market strategist at Dutch lender Rabobank, told clients in a note that the “announcement does make a new Nafta agreement more likely,” but it “also increases the risk that an agreement will not be reached with Canada and we eventually see a move to bilateral agreements.”

It is hard to draw conclusions from recent market action, given low summer trading volumes, said Michael Scanlon, managing director at Manulife Asset Management. While the situation with Mexico is good for stocks and a deal with Canada would also help shares, recent comments from administration officials haven’t convinced him that the U.S. is closer to reaching a deal with China.

Mr. Scanlon said, however, that “these things can move pretty quickly,” and added that data showing a slowdown in China’s growth could make the country want to work with the U.S. more quickly.

Many investors and analysts believe that stock markets outside the U.S. would reap most of the gains of an easing in trade frictions. This summer, aggressive U.S. foreign policy has helped push investors into the relative safety of U.S. stocks and bonds.

Because economic growth and earnings there are stronger, “the U.S. is best-in-class and there’s no way to avoid U.S. assets,” said Witold Bahrke, senior macro strategist at Nordea Asset Management. “And on top of that, you have these trade issues, which increase the divergence between the U.S. and the rest of the world.”

Earnings for S&P 500 companies that have reported are up 25% for the second quarter, according to FactSet.

Shares of Best Buy fell \$4.09, or 5%, to \$77.57 Tuesday after the company reported second-quarter results that beat analysts’ estimates. Best Buy raised its annual guidance for its top line and profit but said it expects a drop in operating profit in the third quarter.

In August, the U.S. became the top equity region for international fund managers for the first time in five years, according to a monthly survey by Bank of America Merrill Lynch.

The Stoxx Europe 600 fell less than 0.1%. Japan’s Nikkei Stock Average closed up less than 0.1% and Hong Kong’s Hang Seng gained 0.3%.

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