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U.S. MARKETS

Stocks Rise Sharply in Volatile Trading

Dow industrials, S&P 500 close more than 5% higher in turbulent session following punishing selloff

By Karen Langley, Frances Yoon and Avantika Chilkoti

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U.S. stocks clawed back some of the ground they lost during Monday's punishing selloff as the Federal Reserve and White House moved to soften the economic blow of the coronavirus pandemic.

Even with Tuesday's gains, major indexes remain down at least 25% from their February highs, before fears of the pandemic's effects on the economy began rippling through the markets.

The S&P 500 climbed 143.06 points, or 6%, to 2529.19, and the Nasdaq Composite advanced 430.19 points, or 6.2%, to 7334.78. The Dow Jones Industrial Average rose 1048.86 points, or 5.2% to 21237.38, after dipping below the 20,000 mark at one point in the morning.

On Monday, the blue-chip gauge recorded its second-worst percentage drop ever, behind only the Black Monday crash of 1987, amid fears the pandemic was disrupting supply chains and sidelining workers after infecting tens of thousands of people.

The gains Tuesday solidified after the Federal Reserve said it would launch a lending facility to support short-term commercial-debt markets. The move is aimed at reassuring companies that they will have access to short-term funds, which could help banks to lend longer-term.

"The story of the day is the Fed responding to the funding tightness in the credit markets and restarting their commercial-paper facility," said David Joy, chief market strategist at Ameriprise Financial. "That really has seemed to alleviate a lot of the pressure in the markets, both in the funding markets, short term credit, as well as equities."

The latest move by the Fed came after it slashed its benchmark interest rate to near zero on Sunday and announced purchases of Treasurys and mortgage-backed securities.

The Trump administration also said it supports a plan to send checks directly to Americans as part of a $1 trillion stimulus package, giving hope to investors watching for government action to help ease the economic repercussions of the pandemic. The total size of the proposal exceeds the $787 billion stimulus package passed in 2009 during the financial crisis.

“The reason why we’re seeing volatility is because we do need the double-barrel shotgun here,” said Diane Jaffee, senior portfolio manager at TCW for the relative value equities team. “We need not just monetary policy but we need fiscal response.”

“No one’s sure that this is going to get through,” she said of the fiscal relief plan. “But at least the numbers are along the right lines.”

The yield on the 10-year U.S. Treasury note rose to 0.994% from 0.722% Monday, its biggest one-day gain since September of 2008. The U.S. government-bond market has been unusually volatile in recent days, reflecting investors’ growing anxiety as well as the liquidity constraints surfacing in various corners of the market amid the broader rout.

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All 11 sectors of the S&P 500 rose Tuesday, led by groups that are seen as relatively safer. Utilities gained 13%, and consumer staples added 8.4%.

Among individual companies, shares of Clorox Co. gained $23.19, or 13%, to $197.88. The maker of cleaning and other products has been one of the S&P 500’s top performers over the past month.

Some economists have said U.S. households, businesses and investors should brace for a sharp downturn in the first half of 2020 and hope for a rebound during the last six months of the year. Others have said the fallout from the rapidly moving health crisis is hard to predict.

“We have no idea whatsoever how this is going to turn out, economically, socially,” said Peter Dixon, an economist at Commerzbank. “The real focus is what support are governments going to give cash-strapped businesses to get them through the remainder of this year.”

The U.S. dollar surged against major currencies Tuesday as its availability outside the U.S. appeared constrained, despite the Federal Reserve and other central banks' efforts to boost liquidity for dollar funding globally. The WSJ Dollar Index rallied 1.4%.

Brent crude futures, the global oil benchmark, dropped 4.4% to $28.73 a barrel.

The focus for many investors is now on any fresh data on the pandemic's spread and damage, as well as policy measures that are likely to be taken to counter the economic fallout, said Esty Dwek, head of global market strategy at Natixis Investment Managers.

"The markets just don't know how negative an economic scenario they need to price in," said Ms. Dwek. "For some people, an economic recession is a foregone conclusion, and how deep the recession will be is the question."

Temperature screening is performed on people entering the New York Stock Exchange Tuesday.
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Write to Karen Langley at karen.langley@wsj.com, Frances Yoon at frances.yoon@wsj.com and Avantika Chilkoti at Avantika.Chilkoti@wsj.com