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U.S. MARKETS

Stocks Turn Higher on Trade Hopes

Dow industrials rise more than 100 points after report Trump plans to delay tariffs on car imports

By Amrith Ramkumar

Updated May 15, 2019 4:22 p.m. ET

U.S. stocks climbed, advancing for a second consecutive session on hopes that thawing trade tensions will boost the outlook for the world economy.

Stocks erased declines from earlier in the day after Treasury Secretary Steven Mnuchin said U.S. negotiators are likely to travel to Beijing soon and reports emerged that the Trump administration is putting off a final decision on whether to impose broad tariffs on automobile and auto-part imports.

Updates on global trade policy have swung markets in recent days, with stocks rising and falling on shifting bets about the U.S. and China eventually reaching an agreement. Many investors are broadly worried about higher tariffs crimping economic and profit growth, leading to an uptick in volatility so far this month.

At the same time, signals that both sides are willing to continue discussions have fueled cautious optimism the past two days.

“The China issue will likely resolve itself over the course of the next six months or so,” said Doug Cohen, managing director of portfolio management at Athena Capital Advisors. “If rationality prevails, there’s a strong incentive for both sides to make a deal.”

The Dow Jones Industrial Average advanced 115.97 points, or 0.5%, to 26648.02. The S&P 500 added 16.55 points, or 0.6%, to 2850.96, moving 3.2% below its April 30 record. It remains up 14% for the year. The tech-laden Nasdaq Composite rose 87.65 points, or 1.1%, to 7822.15.

Trade jitters have also increased focus on economic data points as analysts attempt to gauge whether a growth slowdown overseas will spread to the U.S. Data on Wednesday showed U.S. retail sales fell unexpectedly in April even before the U.S. raised tariffs on \$200 billion of

Chinese imports and Beijing said it would raise levies on \$60 billion of U.S. goods in response. U.S. industrial production also fell in April, missing expectations.

Figures also showed Chinese industrial production, retail sales and fixed-asset investment all slowed in April, the latest mixed data point concerning analysts who are uncertain how much stimulus measures will spur activity in the world's second-largest economy.

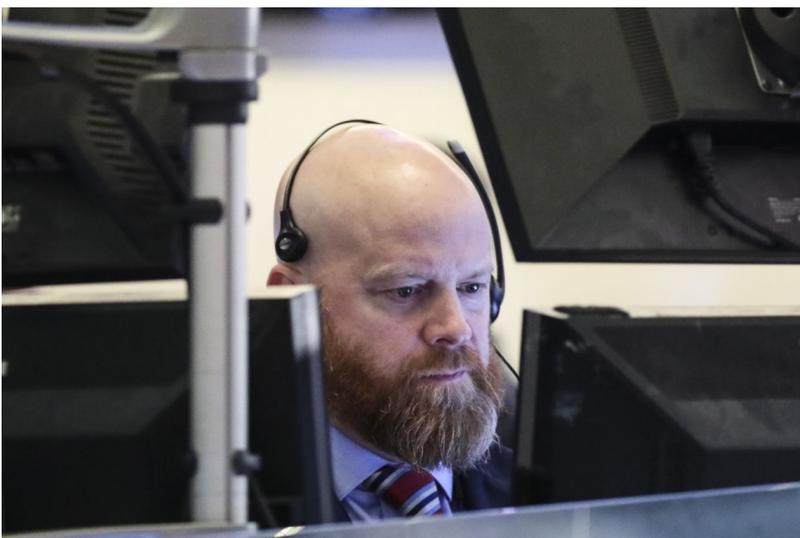
“There is more of a sluggish growth environment in the cards,” said Matt Miskin, market strategist at John Hancock Investments. “It looks like an inopportune time to have more trade-war headlines creep into the markets.”

In one sign of heightened growth worries, bond yields slid with investors seeking safety in U.S. Treasuries. The yield on the benchmark 10-year U.S. Treasury note fell to 2.380%—its lowest level since March 27—from 2.421% a day earlier. Bond yields fall as prices rise.

“Bonds and cash are the beloved asset classes right now,” Mr. Miskin said. “That leaves equities in a position where they could have upside just because sentiment has come down.”

Figures Wednesday also showed Germany's economy expanded 0.4% in the first quarter, after Europe's largest economy narrowly avoided a recession late last year. Some analysts remain wary that a slowdown in business confidence around the world following the latest tariffs will hurt growth more in the future. The Stoxx Europe 600 edged up 0.5%.

Among individual stocks Wednesday, Macy's swung between gains and losses before closing down 10 cents, or 0.5%, at \$21.70 after the retailer posted stronger-than-expected sales growth in its latest quarter.



A worker on the New York Stock Exchange floor on Monday. PHOTO: DREW ANGERER/GETTY IMAGES

Investors will also parse coming earnings from Walmart and other sellers of consumer goods for possible clues about how the companies plan to handle 25% tariffs on more than \$40 billion of goods

that are imported from China and directly purchased by U.S. consumers.

Internet stocks extended a recent rebound, with Google parent Alphabet rising more than 4% after Deutsche Bank increased its price target on the stock and Facebook and Netflix also climbing about 3%.

Earlier, the Shanghai Composite rose 1.9% Wednesday following an upbeat session in the U.S. a day earlier. Hong Kong's Hang Seng climbed 0.5%, while Japan's Nikkei Stock Average advanced 0.6%.

—*Paul J. Davies contributed to this article.*

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