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U.S. MARKETS

U.S. Stocks Climb on Hopes for Trade Talks

Bond yields climb; Dow industrials close more than 300 points higher

By Jessica Menton and Caitlin Ostroff

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U.S. stocks rallied Thursday amid renewed hopes for progress in the trade dispute between the U.S. and China.

The Dow Jones Industrial Average climbed 326.15 points, or 1.3%, to 26362.25. The S&P 500 added 36.64 points, or 1.3%, to 2924.58, led by gains in trade-sensitive technology and industrial stocks. The technology-heavy Nasdaq Composite rose 116.51 points, or 1.5%, to 7973.39.

Analysts and investors said the gains were driven in part by optimism on the prospects for face-to-face talks in Washington next month among representatives of the world's two biggest economies.

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Stocks and bonds have been on a tumultuous ride this summer. How have you been affected by the swings? Join the conversation below.

Meanwhile, a batch of steady economic data and stronger-than-expected earnings reports from discount retailers helped ease some of the fears that have been building about slowing economic growth.

A spokesman for China's Commerce Ministry said Thursday that the U.S. and China remain in communication over possible talks in September and added that Beijing hopes to prioritize discussions about removing the latest tariffs announced by President Trump to prevent a further escalation of the trade war.

“China and trade continue to be a wild card,” said Terry Sandven, chief equity strategist at U.S. Bank Wealth Management. “Clearly, the dialogue between Washington and Beijing is good, but more importantly the timing and magnitude of any potential trade agreement remains an unknown.”

Shares of industrial conglomerates Caterpillar and Stanley Black & Decker climbed 2.5% and 2.3%, respectively. Meanwhile, shares of chip makers including Nvidia, Micron Technology and Applied Materials—which have been caught in the crosshairs of the trade battle—added at least 3% apiece.

“Any news around negotiations starting up or retaliations not happening are going to have a move in markets,” said Bert Colijn, senior eurozone economist at Dutch financial-services firm ING Groep.

Stocks have had a turbulent August amid renewed anxieties surrounding trade, with all three major indexes down at least 1.9% this month. The indexes are still sitting within about 4% of their records.

Thursday’s gain for the S&P 500 marked its 11th move of at least 1%—higher or lower—in August, the most such moves since February 2018, according to Dow Jones Market Data.

With an array of apparel, electronics and sporting goods from China set to be hit with levies of 10% beginning Sept. 1, analysts said some investors were increasing their positions in defensive corners of the stock market this month as a way to shield their portfolios. So-called safety stocks including utilities, real estate and consumer staples—which are each up at least 1.8% apiece in August—are the only groups in the S&P 500 on pace to notch gains this month.

“Investors really want to start covering their positions because anything can happen over the weekend on the trade front,” said Diane Jaffee, senior portfolio manager at global asset-management firm TCW.

In Thursday’s action, shares of Best Buy fell \$5.51, or 8%, to \$63.49, after the consumer-electronics retailer reported second-quarter sales that disappointed investors.

Discount retailers got a lift, with shares of Dollar General rallying \$15.06, or 11%, to \$156.09, on stronger-than-expected earnings.

Investors were also sorting through new economic data. U.S. gross domestic product, the broadest measure of the nation's output of goods and services, rose at a seasonally adjusted annual rate of 2% in the second quarter, compared with the previous estimate of a 2.1% rise. The government said consumers spent more than had been estimated in the April-to-June period, but the housing sector, exports and inventory investment were more of a drag than initially thought.

Meanwhile, U.S. jobless claims rose slightly to 215,000 last week, though the figure remains at a historically low level.

The yield on the 10-year U.S. Treasury climbed to 1.520% Thursday from 1.469% Wednesday, while the two-year Treasury yield rose to 1.532% from 1.504%. Yields rise as bond prices fall.

Elsewhere, the Stoxx Europe 600 rose 1%. In Asia, the Shanghai Composite and Japan's Nikkei Stock Average both slipped 0.1%, while Hong Kong's Hang Seng rose 0.3%.



Traders work on the New York Stock Exchange floor last week. PHOTO: DON EMMERT/AGENCE FRANCE-PRESSE/GETTY IMAGES

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