

U.S. MARKETS

U.S. Stocks End at Records

Fresh data signals better-than-expected factory production and consumer spending in China

By Alexander Osipovich and Avantika Chilkoti

Updated Dec. 16, 2019 5:11 pm ET

Stocks on both sides of the Atlantic clinched records Monday as investors doubled down on bets that some of the biggest risks to financial markets are clearing.

The Dow Jones Industrial Average, S&P 500 and Nasdaq Composite closed at the highest levels ever, their latest milestones in a long string of records this year. Meanwhile, Europe's benchmark Stoxx Europe 600 index set its first new high in more than four years.

Investors were reassured by data showing U.S. business activity improved to a five-month high in December, along with reports showing surprising strength in China's economy. That helped ease concerns about a global economic slowdown spurred by the trade war between the U.S. and China.

The data also added to bullish sentiment after breakthroughs last week in the trade war and the protracted drama over the U.K.'s exit from the European Union, which had dogged markets for months.

The U.S. indexes opened higher Monday and never wavered. Ten of 11 sectors in the S&P 500 rose, as did 23 of 30 components in the Dow industrials. UnitedHealth Group gained 2.3%, Apple rose 1.7% and Goldman Sachs added 1.4%.

"People feel relieved that there is clarity over some of these issues that had been hanging over the market," said Michael Stritch, chief investment officer at BMO Wealth Management. "The continued path of least resistance is going higher," he added.

The Dow Jones Industrial Average climbed 100.51 points, or 0.4%, to 28235.89, returning to record territory for the first time since late November.

The S&P 500 added 22.65 points, or 0.7%, to 3191.45, its 29th record close of the year. The tech-heavy Nasdaq Composite rose 79.35 points, or 0.9%, to 8814.23.

Overseas, the Stoxx Europe 600 index, which tracks companies across the continent and in the U.K., gained 5.73 points, or 1.4%, to 417.75. The index has climbed 24% this year, putting it on track for its best performance in a decade.

Many of the concerns that have given investors pause during this year's rally eased last week. Within a few days, the U.S. reached a trade truce with China, U.K. voters gave Prime Minister Boris Johnson a resounding election victory and Democrats in Congress backed a new trade deal with Canada and Mexico.

"Unless we get any bad data I think the market is going to continue to ride because this was a big, big hurdle cleared for markets with this 'phase one' deal," said Esty Dwek, head of global market strategy at Natixis Investment Managers.

U.S. purchasing managers were more optimistic about economic activity early this month, pushing a measure of overall output to a five-month high, IHS Markit said Monday.

Elsewhere, Chinese economic activity, including factory production and consumer spending, improved in November. The better-than-expected results may help alleviate investors' concerns about growth in the world's second-largest economy.

Still, few investors say they believe the global economy is in the clear. Government-bond yields have risen lately but remain near historic lows.

Since yields tend to rise and fall with the economic outlook, the fact that they are so low is signaling that any pickup in economic activity "is likely to remain muted," said Christopher Sullivan, chief investment officer at United Nations Federal Credit Union.

The yield on the 10-year Treasury note ticked up to 1.890% Monday, from 1.820% on Friday. Bond yields rise as prices fall.

Earlier this year, fears mounted of a possible slowdown in the U.S. economy when yields on longer-term U.S. Treasuries dropped below those on shorter-term bonds—a phenomenon known as an "inverted" yield curve that historically has been a good predictor of recessions.

The yield curve is no longer inverted, which has helped dispel recession fears.

Across the Atlantic, U.K. stocks have climbed since results of Thursday's general election showed Mr. Johnson's Conservative Party winning a large majority in Parliament. The result paves the way for the U.K. to leave the European Union next month, clearing some of the political uncertainty that has hung over the country's economy since the 2016 Brexit referendum.

"It takes the risk of a no-deal Brexit immediately off the table and it gives you some certainty, so that's better than where we were," said Thomas Pugh, U.K. economist at Capital Economics.

In corporate news, shares of Boeing declined 4.3% to \$327, weighing on the Dow. The aerospace company is considering either suspending or cutting back production of the 737 MAX, The Wall Street Journal reported.

Deepening production cuts would inflate Boeing's costs and trigger charges against its financial results as fixed expenses would be spread among fewer planes.

International Flavors & Fragrances fell 10% to \$120 after DuPont de Nemours reached a deal to combine its nutrition business with IFF in a deal that will give DuPont a \$7.3 billion cash payment and about 55.4% of the new company. Shares in DuPont gained 0.2% to \$64.89.

In commodity markets, U.S. oil futures climbed 0.2% to \$60.21, building on gains from the U.S.-China trade deal last week. Gold fell less than 0.1% to \$1475 a troy ounce.



Chinese parents and their children shop for toys at a shopping mall in Beijing. PHOTO: ANDY WONG/ASSOCIATED PRESS

—
Sa
m
Gol
dfa
rb
con
trib
ute
d to
this
arti
cle.

MORE

- • Global Economy Steadies
- • Long the Laggards, European Stocks Near All-Time Record
- • U.S. Government Bonds Pull Back on Improving Chinese Economic Data
- • Chinese Economic Activity Gets a Lift
- • Havens Left Behind as Fears Ease

Write to Alexander Osipovich at alexander.osipovich@dowjones.com and Avantika Chilkoti at Avantika.Chilkoti@wsj.com

SHARE YOUR THOUGHTS

Do you foresee a more stable market going into 2020? Why or why not? Join the conversation below.

Copyright © 2019 Dow Jones & Company, Inc. All Rights Reserved

This copy is for your personal, non-commercial use only. To order presentation-ready copies for distribution to your colleagues, clients or customers visit <https://www.djreprints.com>.