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U.S. MARKETS

U.S. Stocks Set to Continue Higher on Upbeat Earnings

Better-than-expected guidance and earnings out of the semiconductor sector look set to give fresh optimism to tech investors

By David Hodari

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U.S. stocks were set to continue their climb Thursday, as earnings so far this season have offset concerns about the global economy.

Futures pointed to opening gains of 0.2% for the S&P 500 and 0.1% for the Dow Jones Industrial Average after stocks closed slightly higher Wednesday, a day on which volumes on the New York Stock Exchange were weaker than any day in 2019, as investors struggled to navigate a mix of economic and political forces.i see

While shares in Bristol-Myers Squibb were down 2.4% in premarket trade after the pharmaceutical company's earnings fell below analysts' estimates, better-than-expected guidance and earnings out of the semiconductor sector looked set to give fresh optimism to tech investors.

Texas Instruments shares were up 1.6% in premarket trade after the chip maker beat quarterly earnings targets in its report released after the market close Wednesday. Sector peer Xilinx was up 10.5% in premarket trading after its own post-close release.

In Europe, an 8.4% climb for semiconductor manufacturer STMicroelectronics after its own earnings, helped buoy the Stoxx 600's tech sector 1.9%. The pan-continental index was up 0.3% in midday trading. Renault shares reversed early losses to advance 1.2% after the news that Chief Executive and Chairman Carlos Ghosnresigned Wednesday night.

Trading in Europe followed a similar session in Asia, where Hong Kong's Hang Seng climbed 0.4%, paring most of the losses incurred earlier in the week following weak Chinese growth figures. The Hong Kong benchmark was also buoyed by its tech constituents.

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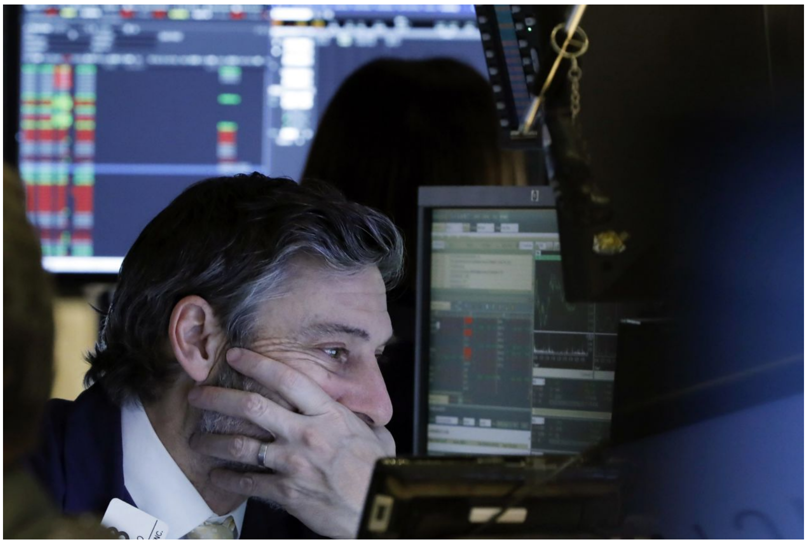
Global equities have endured a choppy week, with many major indexes still lower than they were at Monday's open. Tuesday brought the largest one-day fall of the year for U.S. indexes. Fears of sagging global growth have taken the shine off a better-than-feared corporate earnings season.

That said, market participants had relatively soft expectations for this batch of results, as it would be tough to beat last year's tax-cut-fueled profits.

The weakest Chinese annual growth figures since 1990, released Monday, have been followed by weakening indicators from Germany and Japan, among other major economic powers. Soft purchasing manager index figures for the broader eurozone added to that picture Thursday.


Global equities have had a choppy week, **PHOTO**: RICHARD DREW/ASSOCIATED PRESS

Heavily dependent on exports, the eurozone has been stung by the trade tensions of recent months than the U.S., some investors say.

"The biggest thing hurting Europe is weakness in China. Europe is such an open economy and the trade story has weakened it," said Seamus Mac Gorain, fixed income portfolio manager at JPMorgan Asset Management

Remarks late Wednesday from Kevin Hassett, chairman of the White House Council of Economic Advisers, that the U.S. economy may not grow at all in the first quarter if the partial government shutdown continues, further dented sentiment around growth.

The latest round of sparring between Democrats and Republicans came over whether the president's State of the Union address will take place next week as previously planned. President Trump eventually said late Wednesday that he wouldn't deliver his State of the Union address until the government reopened.

The yield on 10-year U.S. Treasurys was last 2.731%, down from 2.755% late Wednesday. Yields fall as prices rise. The WSJ Dollar index was up 0.2%, eroding its losses over the past month to

0.7%.

Markets have been largely unaffected by the longest shutdown in U.S. history—it is now entering its 34th day—but economists increasingly fear the impasse could stymie first-quarter growth in the world's largest economy.

Ultimately, it is within the power of central banks around the world, particularly the Federal Reserve, to extend the business cycle by adjusting monetary policy accordingly, said Shawn Snyder, head of investment strategy at Citi Personal Wealth Management.

While markets were awaiting guidance from the European Central Bank's first meeting of the year, that event was "overshadowed by China growth and the federal government shutdown, because you're starting to see GDP estimates being revised down and policy fall victim to politics. That's unsettling for markets," Mr. Snyder added.

As expected, the ECB left rates unchanged, having indicated last year that it expected to do so through the summer of 2019. Still, any remarks on bond-buying—the central bank stopped its quantitative easing program in December—and the global economy will be closely examined. Markets were also awaiting U.S. jobless figures and manufacturing and services data.

The yield on 10-year German government bonds was last at 0.141%, down from 0.178% late Wednesday, its fall accelerating after eurozone and German economic releases.

Results from American Airlines and Freeport-McMoRan were due before the market open, with jobless, manufacturing and services figures also expected.

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