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MARKETS

U.S. Stocks Set to Fall as Oil Slides on OPEC Impasse

Oil prices fall sharply as OPEC meets; arrest of Huawei finance chief stokes worries of escalation in U.S.-China tensions

By David Hodari and Mike Bird

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U.S. stocks were poised to fall sharply Thursday, as global markets shuddered over the arrest of a top Chinese tech executive and a fresh plunge in oil prices.

Futures pointed to opening losses of 1.5% and 1.6% for the S&P 500 and the Dow Jones Industrial Average, respectively, with tech stocks such as Intel down 2.2% in premarket trading. Oil giant Chevron fell 2.3%, with sector peers following suit as a fresh wave of selling pounded oil-and-gas shares and global energy prices.

Oil prices pared some of their earlier losses but Brent crude remained 2.3% lower at $59.76 a barrel, and West Texas Intermediate futures fell 2.5% to $51.57 a barrel, after Saudi Arabia's oil minister said there had not yet been any agreement made over oil output cuts. Still, market participants were expecting an agreement to emerge in Vienna, where the Organization of the Petroleum Exporting Countries and its allies were scheduled to meet Thursday and Friday.

Bleak sentiment in the U.S. echoed that in Europe, where the Stoxx Europe 600 index slid 2.2% in early afternoon trading. That index, as well as benchmarks in Germany and the U.K. were all was on course to notch a 17-month low. The fresh wave of negative sentiment hammered the benchmark's technology and energy basket, which fell 2.9% and 2.4%.

Losses were heavy in Asia, where Japan's Nikkei 225 fell around 2%. Hong Kong's Hang Seng Index, as well as tech-dominated indexes like China's Shenzhen A-Share and the Taiwanese Taiex, were all more than 2% lower.

China's Commerce Ministry said Thursday that Beijing would "immediately implement" agreements made at the Group of 20 summit in Argentina involving the Chinese purchase of U.S. products. The ministry also said planned talks on U.S. intellectual property and market-access concerns would occur within the allotted 90-day window before U.S. tariff increases are set to resume.

The statements came after the arrest by Canadian authorities of Huawei Technologies Co.'s chief financial officer, which fanned fears of another escalation in tensions between the world's two largest economies.

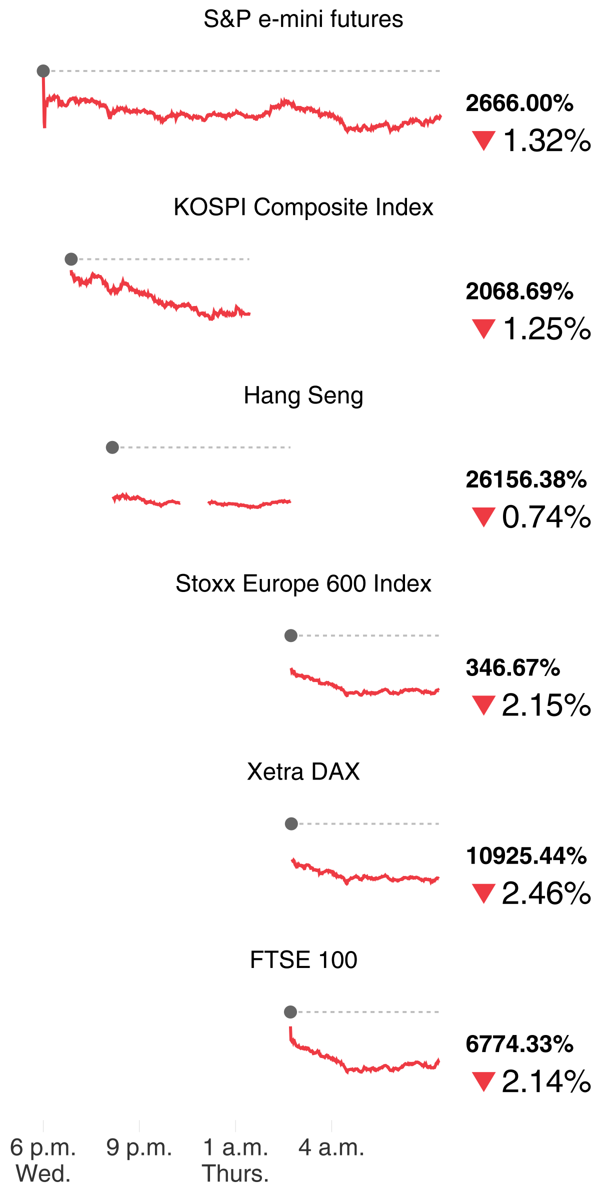
The Hong Kong-listed shares of China's ZTE Corp.—a rival to Huawei and the nation's second-largest telecom equipment maker—fell almost 6%. Shares of Huawei's suppliers and partners also slumped, with phone-camera-lens supplier Sunny Optical Technology down 5.5%. Shares in Telefon AB L.M. Ericsson, one of Huawei's and ZTE's largest competitors, were last 1.7% higher, and were one of the few Stoxx Europe 600-listed stocks to climb Thursday.

The U.S. dollar bonds of privately owned Huawei touched new lows after news broke of its CFO's arrest. The company's debt maturing in 2025 has already been hit this year, and its yield climbed to 5.865% Thursday, up by more than 2 percentage points since January. Bond yields rise when prices fall.

"The panic reaction reflected investors' concerns over a technology battle between the U.S. and China," said Steven Leung, an executive director at UOB Kay Hian.

The impact of those headlines rippled across financial markets, causing at least one company to abandon its initial public offering. Denmark-based media company Adform announced it was postponing its IPO, citing "a period of high volatility and uncertainty in the financial markets, especially as regards technology stocks."

DJIA Futures **24673** -1.49% ▼ U.S. 10 Yr **7/32 Yield** 2.886% ▲ Euro **1.1363** 0.18% ▲



Source: WSJ Market Data Group

Tech firms have been among those worst hit by icy trade relations between the U.S. and China, which have weighed on global markets and prompted fears of slowing global growth so far this year. The Shanghai Composite and Shenzhen A-Share indexes have fallen 21% and 29% respectively.

Market reaction to the arrest of Huawei's CFO threw into sharp relief the obstacles that lie ahead for negotiators in Washington and Beijing.

"Markets were already under pressure, and the arrest hasn't helped," said Neil Mellor, senior currency strategist at BNY Mellon. "We're back to where we were beforehand, and we're wondering if a deal's possible given how high the stakes are."

U.S. dollar, despite the China's Commerce Ministry's statements Thursday. The ministry also said it was confident about reaching consensus with the U.S. within three months.

Sharp selling Thursday marked a continuation of downbeat trading seen earlier in the week, as optimism from the G-20 waned amid persistent growth fears and sliding U.S. bond yields.

U.S. authorities have been probing Huawei for allegedly shipping products to Iran and other countries in violation of U.S. export and sanctions laws. **PHOTO:** ZHANG WENKUI/ZUMA PRESS

The yield on U.S. 10-year Treasurys was last 2.893% having slipped from 2.921% late Tuesday. The WSJ Dollar Index was last up 0.1%.

In addition to headlines out of China, U.S. investors were awaiting a speech scheduled for Thursday from Federal Reserve Chairman Jerome Powell, which will be scrutinized for signals related to the central bank's interest-rate policy.

While CME data gave a 76.6% probability of a rate increase at the Fed's December meeting, figures show a less clear consensus for 2019, reflecting estimates of just over one rate raise. But some analysts see that as an overly dovish forecast.

"Now everyone is looking at the Fed. The market took the Fed's recent commentary as dovish and our view is that was an exaggerated interpretation," said Christian Keller, head of economics research at Barclays Investement Bank.

—Joanne Chiu contributed to this article

Write to David Hodari at David.Hodari@dowjones.com and Mike Bird at Mike.Bird@wsj.com